



Tao Heung Announces 2018 Annual Results
Profit attributable to owners of the parent
increased by 30.7% year-on-year to HK\$116.4 million

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(Hong Kong, 21 March 2019) – **Tao Heung Holdings Limited** (“Tao Heung,” or together with its subsidiaries the “Group;” stock code: 573), a leader in Chinese culinary trends, announced its annual results for the year ended 31 December 2018.

During the year, the Group reported total revenue of HK\$4,138.8 million, compared with HK\$4,025.3 million last year. The increase was mainly attributable to the employment of effective strategies that led to better same-store sales. Profit attributable to owners of the parent increased by 30.7% year-on-year to HK\$116.4 million (2017: HK\$89.1 million). Excluding the one-time loss incurred from the compulsory closure of the Group’s pig farm by the Mainland China Government during the first half year, profit attributable to owners of the company would have amounted to HK\$127.0 million, representing a growth of 42.5%.

The Board has proposed a final dividend of HK6.0 cents (2017: HK6.0 cents) per share. Together with an interim dividend of HK5.5 cents per share already paid (2017: HK5.5 cents), the total dividend will be HK11.5 cents (2017: HK11.5 cents), which represents a dividend pay-out ratio of 100.4% (2017: 131.2%).

Mr Chung Wai Ping, Chairman of Tao Heung, said, “Since 2016, our long-term plan, encapsulated in the acronym “MISS” (Marketing, Innovation, Service and Succession), has provided us with the direction and impetus to grow, as well as the drive to become one of the most esteemed and premier Chinese restaurant groups in Hong Kong and Mainland China.

Hong Kong Operations

The Hong Kong operations generated revenue totalling HK\$2,587.8 million (2017:HK\$2,571.1 million) during the review year. Profit attributable to owners of the parent at HK\$92.2 million (2017: HK\$74.9 million).

In its effort to attract more target customers, the Group has employed several marketing strategies, including the “All-you-can-eat hotpot” and “Half-priced dim-sum”, which were able to improve the performance of the Hong Kong operations. This was reflected by the rise in same-store sales, which rose by 1.4% in 2018. As for appealing to the younger generation, the Group has sought to enhance the appearance of certain restaurants given that a pleasant environment is one of the salient features which appeal to this demographic.

Indicative of the Group's efforts to rightsize its restaurant network to strengthen operations and increase efficiency, the Group has a total of 64 restaurants in operation as at 31 December 2018 (2017: 62 restaurants).

The Group has, over the years, invested considerable effort into diversifying its restaurant portfolio through collaboration with different brands, including RingerHut, Du Hsiao Yueh and Flamingo Bloom, all of which have continued to attract customers from different age groups and have performed stably. During the review year, this practice has continued with the introduction of Han Lin Tea Room (翰林茶館), which specialises in Taiwanese beverages and snacks. Following the first Hong Kong branch opening in Harbour City, Tsim Sha Tsui, in October 2018, a second kiosk located in Mong Kok commenced operation in the following month. As at end of the year, the Group has two Du Hsiao Yueh, two Han Lin Tea Room and one Flamingo Bloom in operation.

In regards to Tai Cheong Bakery, the operation has enjoyed significant growth during the year. The recent rebranding and renovation of certain shops were well-received by the market. As at 31 December 2018, the Group had 16 (2017: 17) Tai Cheong Bakery outlets in operation across Hong Kong. Outside of the city, the Group has extended its reach to Taiwan after its success in the Singapore market. Two franchise outlets have been opened in a railway station and airport in Taiwan. The Group will continue to explore the possible opportunities for future openings in worldwide airport and transportation hubs.

Mainland China Operations

As at the review year, the Mainland China operations contributed revenue totalling HK\$1551.0 million (2017: HK\$1,454.2 million). Furthermore, profit attributable to owners of the parent of HK\$24.2 million (2017: HK\$14.2 million) was recorded.

Over the years, the management has been carefully devising strategies to effectively tap the local market, culminating in satisfactory growth during the review year. In an effort to appeal to younger generations of customers, several restaurants have undergone refurbishment and rightsizing. Moreover, menus have been specially developed to suit local tastes. As for the Group's three integrated complexes in Dongguan, all have continued to achieve growth. The integrated complex business model has proved to be a success owing to its ability to attract a diverse range of customers, leading to increased profits.

In view of the popularity of e-commerce, including electronic payment and online food-ordering systems, the Group has made available several mobile payment platforms to its customers, including Alipay and WeChat Pay which can be accessed at all of its restaurants. Furthermore, packaged food products are offered via online distributors including Tmall.com and JD.com. Through these channels, the online purchase of packaged food products can be achieved nationwide, and has already led to significant growth in revenue contribution.

As at 31 December 2018, the Group operated a total of 44 restaurants (2017: 44 restaurants) and 27 Bakerz 180 outlets (2017: 27 outlets) in Mainland China.

Peripheral Business

During the review year, the sale of packaged food and festive products performed satisfactorily, benefiting from an increasingly comprehensive domestic logistics network that has enabled the Group to reach more regions of Mainland China. The Group will continue to invest in network expansion, particularly around cities where the Group has restaurant operations, as well as in the vicinity of its distributors. As sales increase, a further improvement in margin can therefore be expected through better utilization of our production facilities.

Prospects

Faced with an increasingly challenging macroeconomic condition, the Group will redouble efforts at strengthening its presence in Hong Kong and Mainland China. Marketing campaigns as well as consolidation efforts have proven to be effective and will continue to be conducted in line with the Group's "MISS" business plan. The management remains cautiously optimistic about the outlook of the Group, and will further invigorate its core businesses with the aim of providing even higher quality food and services going forward.

As for the Hong Kong market, the Group will seek to bolster the local brand portfolio by way of refurbishing existing restaurants while at the same time continuing with the rebranding of Tai Cheong Bakery. Furthermore, the Group will look for collaborative opportunities with renowned brands that can facilitate the diversification of revenue streams and expansion of its customer base. Two examples to support the success of this strategy can be evidenced by its ties with Du Hsiao Yueh and Flamingo Bloom, with the former set to open one restaurant while the latter will open one restaurant in the coming financial year.

In Mainland China, the packaged food operation has helped the Group to further penetrate into other cities across the country; expedited by online distribution platforms. Meanwhile, collaboration with supermarkets has provided the Group with an offline channel for increasing sales. To encourage growth, both online and offline, the Group will increase its e-commerce effort with the aim of raising brand awareness and building customer loyalty. Moreover, the Group will look to capitalise on the strength of its logistics centre in Dongguan to support its strategies, leading ultimately to greater revenue and profit.

Mr Eric Leung, CEO of Tao Heung concluded, "Going forward, the Group will seek to drive growth by leveraging its renowned brands to extend geographical reach, as well as by introducing new brands into its existing markets. Internally, the management will continue with its on-going strategies to consolidate operation and increase efficiency which have proven to work under different market situations. Whether expanding into new markets or consolidating its presence in existing ones, the management will shrewdly utilise the Group's various competitive edges to achieve sustainable growth and deliver stable returns to its shareholders."

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About Tao Heung

Established in 1991, Tao Heung has embraced the principle of “innovation” with the aim of becoming an esteemed and premier Chinese restaurants group. As of 31 December 2018, the Group together with its associates operate a network of 152 restaurants and bakery shops in Hong Kong, Mainland China and Singapore under 17 brands. These include Tao Heung, Tao Square, Pier 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung’s Cuisine, Chung’s Kitchen, One Roast, Joyous One, Cheers Palace, RingerHut, Tai Cheong Bakery, Bakerz 180, Du Hsiao Yueh, Flamingo Bloom and Hanlin. Tao Heung was listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2007.

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