

**[For immediate release]**


## Tao Heung Announces 2009 Interim Results

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***Turnover & Net Profit Rose by 10% Despite Weak Consumption Sentiment  
Driven by Successful Marketing Strategies and Cost Control Measures***

### Results Highlights

<i>For six months ended 30 June 2009</i>			
	<b>2009</b> (Unaudited)	2008 (Unaudited and restated)	Changes (%)
Revenue (HK\$mil)	<b>1,301.4</b>	1,178.4	+ 10.4%
Gross profit (HK\$mil)	<b>190.9</b>	168.2	+ 13.5%
EBITDA (HK\$mil)	<b>205.0</b>	175.6	+ 16.7%
Profit attributable to equity holders (HK\$mil)	<b>103.7</b>	94.6	+ 9.6%
Basic EPS (HK cents)	<b>10.22</b>	9.32	+ 9.6%
Interim and special dividends per share (HK cents)	<b>6.2</b>	6.0	+ 3.3%

(Hong Kong, 11 September 2009) - **Tao Heung Holdings Limited** (“Tao Heung”, or together with its subsidiaries the “Group”; stock code: 573), a leader in Chinese culinary trend, announces its interim results for the six months ended 30 June 2009.

Driven by strengthened marketing efforts, turnover grew by 10.4% to approximately HK\$1,301.4 million in the review period. Gross profit margin also improved despite the economic downturn. EBITDA increased remarkably by 16.7% to HK\$205.0 million and profit attributable to equity holders was up by 9.6% to HK\$103.7 million.

In view of the Group’s strong financial position as well as commitment to delivering fair returns to shareholders, the Board proposed an interim dividend of HK6.20 cents per share, with HK4.65 cents being interim dividend and HK1.55 cents being special interim dividend respectively, representing a payout ratio of 60%.

**Mr. Eric Leung, CEO of Tao Heung**, said, “We are delighted that Tao Heung was able to maintain steady business growth during the review period despite the global financial downturn, outbreak of H1N1 virus and high local unemployment rate. Revenue growth has been attributable to a series of massive and effective promotions which were proven successful in maintaining customer traffic at our restaurants. Benefits derived from the logistic centres, along with stringent cost control measures supported by all staff members, enabled us to combat cost pressures, in turn maintaining overall profitability.”

The Group's financial position remained healthy with cash and cash equivalents at HK\$364.6 million and a net cash surplus position of HK\$326.7 million as at 30 June 2009. Gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by shareholders' equity) was reduced to 4% compared to 5% as of 31 December 2008.

### **Hong Kong Operations**

Hong Kong operations achieved year-on-year revenue growth of 9.7%, amounting to \$1,084.3 million. Profit attributable to equity holders for the period was HK\$90.5 million, representing 6.2% growth compared to last year. 5 restaurants were opened during the review period. As at 30 June 2009, the total number of restaurants stands at 58 (31 December 2008 : 53).

Signature and innovative promotional campaigns, including "One Dollar Chicken" dishes, were proven successful in boosting customer traffic during times of poor spending sentiments. Despite the massive marketing strategies, the steady revenue growth and increasing amount of food supplied by the Dongguan Logistics Centre has enabled the Group to increase cost efficiency and successfully combat pressures on gross profit margin.

### **Mainland China Operations**

Revenue generated from the Group's Mainland China operations grew by 14.2% to HK\$217.1 million. Profit attributable to equity holders was increased substantially by 41.5% to HK\$13.2 million. Improved profitability was a result of increased revenue from restaurants and enhanced efficiency from higher utilisation rate at the Dongguan Logistics Centre.

Total number of restaurants in Mainland China remained at 12 during the review period. Of all the locations that the Group operated in, Dongguan was most severely hit by the financial crisis which caused massive closure of factories. Consequently, Tao Heung has postponed some of its new restaurant openings until early 2010 when the economy is expected to recover. At such time, the Group anticipates to further establish 3 to 4 restaurants in Mainland China.

### **Dongguan Logistics Centre**

With increased bulk purchasing of food raw materials from their sources, the Group had been able to reduce costs, enhance efficiency and assure the good quality of its products. Current output of the Dongguan Logistics Centre is roughly 500 tonnes per month, and is expected to reach 660 tonnes per month by the end of 2009. Breakeven point will be met as its output reaches approximately 800 tonnes per month.

### **Peripheral Businesses**

Revenue of approximately HK\$32.1 million was recorded during the review period, partly the result of increased clientele, such as theme park and catering operators, for packaged and chilled food. After becoming the single largest shareholder of Tai Cheong Bakery since March 2009, the Group has stepped up branding and marketing efforts, hoping to attract youth and tourist customers. The Group also sought to diversify its product offerings such as Tai Cheong Bakery's own brand of beverages and traditional Chinese cakes. Currently, a total of 10 shops are in operation, mostly in

prime locations of shopping malls, and the Group would seek to further expand the network.

### **Outlook**

The management expects the operating environment to continue to be challenging for the rest of 2009 but the Group's 1st five year plan to operate 100 restaurants by the end of 2011 remains unchanged. Tao Heung will open around 5 new outlets in Hong Kong and 1 outlet in Mainland China in the second half of 2009. The Group will quicken its expansion drive in early 2010, as the management believes economic recovery will begin to materialise.

Driven by the successful brand-building exercise for *Hak Ka Hut* in the first half of the year, the Group will extend the exercise to another chain of specialty restaurants, *Chao Inn*, hoping that it would enable the Group to quickly capitalize on an eventual economic upswing. Besides, following the success of the launch of HIPOT in the fourth quarter of 2008, operation of the HIPOT chain will be further expanded in the coming months. Apart from improvement in the range of product offerings, Tai Cheong Bakery business will also be expanded with 2 more outlets in the second half year and another 3 for each of the coming three years.

**Mr. Chung Wai Ping, Chairman of Tao Heung**, concluded, "Looking ahead, the global economic downturn is likely to persist for some time and consumer confidence will erode further. Tao Heung will continue to employ stringent cost control measures, streamline operations, practise more bulk purchasing from sources of origin, and generate business through effective promotions and diversification for achieving long-term sustainable growth and satisfactory financial results."

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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. Currently, the Group operates a network of 71 Chinese restaurants in Hong Kong (58 restaurants) and southern China (13 restaurants) under 13 brands. These include Tao Heung, Tao Square, Tao Heung Super 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung's Cuisine, Shanghai Inn, TCT, Pier 88, One Roast, Hi Tea and HIPOT. Tao Heung was listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2007.

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