

**[For immediate release]**


## Tao Heung Announces 2009 Annual Results

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***Delivers 10.3% Net Profit Growth Despite Financial Crisis  
 Expects New Logistics Centre in Tai Po to Achieve Greater Cost Efficiency***

### **Results Highlights**

<i>For the year ended 31 December</i>			
	<b>2009</b>	2008	Changes (%)
Revenue (HK\$mil)	<b>2,610.4</b>	2,444.3	+ 6.8%
EBITDA (HK\$mil)	<b>420.2</b>	362.1	+ 16.0%
Profit attributable to equity holders (HK\$mil)	<b>208.5</b>	189.1	+ 10.3%
Basic EPS (HK cents)	<b>20.54</b>	18.64	+ 10.2%
Proposed final dividend per share (HK cents)	<b>6.3</b>	4.5	+ 40%
Special dividend per share	-	1.5	N/A
Total dividends per share (HK cents)	<b>12.5</b>	12.0	+ 4.2%

(Hong Kong, 30 March 2010) - **Tao Heung Holdings Limited** ("Tao Heung", or together with its subsidiaries the "Group"; stock code: 573), a leader in Chinese culinary trend, announces its annual results for the year ended 31 December 2009.

Even though faced with challenging economic conditions, the Group was able to realise modest gains from its various business interests during the year under review. As at 31 December 2009, the Group recorded total revenue of approximately HK\$2,610 million, representing a year-on-year increase of 6.8%. Such growth was attributed to the opening of 10 new shops – nine in Hong Kong and one in Mainland China during the year, offsetting by the temporary closure of four restaurants in Hong Kong resulting from shopping malls renovations.

Gross profit margin rose moderately while profit before tax increased by 11.9% to approximately HK\$256 million (2008: HK\$229 million). Profit attributable to equity holders rose by 10.3% to approximately HK\$209 million, while EBITDA increased remarkably by 16.0% to approximately HK\$420 million. Enhanced profitability was mainly due to increasing bulk purchase directly from local sources which helped reduce production cost, as well as increased food supply from the Group's logistics centres, thereby raising efficiency.

The Board proposed the payment of a final dividend of HK6.3 cents per share. Together with an interim dividend of HK4.65 cents per share and special dividend of HK1.55 cents per share paid during the year, total dividend per share will amount to HK12.5 cents for the financial year, representing a payout ratio of 60.9%.

**Mr. Eric Leung, CEO of Tao Heung**, said, “The financial downturn which commenced in late 2008 persisted throughout the first half of 2009 and combined with the H1N1 outbreak at the start of the year resulted in a severe erosion of consumer confidence. Nevertheless, by using various promotions and marketing strategies, the Group maintained steady customer traffic, resulting in an increase in revenue. Our profitability also improved by utilising our Dongguan Logistics Centre to deliver more food products to our restaurants in both Hong Kong and Mainland China.”

The Group maintained a strong financial and liquidity position with cash and cash equivalents of approximately HK\$428 million and a net cash surplus position of approximately HK\$400 million as at 31 December 2009. Gearing ratio (defined as total interest-bearing bank borrowings plus finance lease payable divided by total shareholders' equity) was reduced to 2.5% (2008: 4.6%).

### **Hong Kong Operation**

Hong Kong business achieved revenue growth of 5.5% to approximately HK\$2,159 million. As at 31 December 2009, the Group's total number of restaurants stood at 61. Nine new outlets were opened during the year, which offset the effect of temporary closure of four restaurants resulting from shopping malls renovations during the year. Complementing the Group's expansion effort were the use of signature and innovative promotional campaigns that proved successful in maintaining customer traffic, including Tao Heung's signature “One Dollar Chicken” as well as the launch of various promotions for complimentary dishes.

With the focus in continuing to diversify the Group's business, it acquired an additional 60% interests in Tai Cheong Bakery in March 2009 and continued to expand its business by opening three new Tai Cheong Bakery outlets during the year, creating a sizeable business chain of 11 operating units in the territory.

Profit attributable to equity holders increased 10.4% to approximately HK\$181 million (2008: HK\$164 million). Improved profitability was due to more food supplied to the Group's Hong Kong restaurants from the two logistics centres, and employment of effective cost control measures at both back offices and branches.

### **Mainland China Operation**

Mainland China business generated revenue of approximately HK\$451 million, up 13.7% year on year, accounting for 17.3% of the Group's total turnover. A total of 13 restaurants were in operation during the year, while five outlets that were opened in 2008 commenced full-year income contribution in 2009. Only one new restaurant was added in 2009 as the Group strategically sought to slow down its expansion drive on account of the volatile operating environment in the territory resulting from the financial turmoil.

Profit attributable to equity holders increased 8.0% to approximately HK\$27 million (2008: HK\$25 million) and can be attributed to increased revenue from restaurants as well as enhanced efficiency from higher utilisation rate achieved at the Dongguan Logistics Centre.

### **Logistics Centres**

The logistics centres in Fotan and Dongguan continued to deliver effective cost savings for the Group as measures aimed at raising efficiency achieved quantifiable results. With increased bulk purchase from local sources and enhanced food supply to all of our restaurants, the Dongguan Logistics Centre achieved operational breakeven point (breakeven before depreciation) in 2009, reaching average output of approximately 600 tonnes per month. The target output at Dongguan is 800 tonnes per month by the end of 2010 at which time the Group will be able to achieve a wholly breakeven point for the logistics centre.

### **Peripheral Business**

Peripheral business achieved stable growth with revenue up 20.9% to approximately HK\$52 million (2008: HK\$43 million). The Group's chilled food products were supplied to a greater number of supermarkets and food caterers, inline with the Group's expanded customer portfolio. For the first time, Tao Heung's branded pre-packing chilled food ("稻香誠製") was sold at some of our branches and Products Expo, achieving satisfactory results.

### **Outlook**

While the management remains confident about the industry's growth potential and consumer sentiment in 2010, there are still many challenges on the horizon. Thriving stock and property markets will raise concerns about inflation, thus possibly eroding consumer confidence and potentially lifting rent, wages and food costs. As such, the Group remains cautiously optimistic towards the overall business environment in the year to come.

Moving forward, the Group will continue a steady pace of expansion in 2010. In Hong Kong, the management intends to open up to eight outlets across the territory, while in Mainland China, three to four restaurants will be added, representing a relatively swift pace as the country is expected to recover from the economic downturn more quickly than Hong Kong.

To achieve further cost efficiencies and generate synergies between logistics centres and the Group's restaurant network, an additional centre will be established in Tai Po Industrial Estate, which is expected to commence operation in 2011. Representing an investment of around HK\$250 million, its large capacity will be able to serve over 150 restaurants in Hong Kong. This new logistics centre will also enable the management to consider the possibility of expanding into Western and other international cuisine and explore more peripheral opportunities.

**Mr. Chung Wai Ping, Chairman of Tao Heung**, concluded, "Having amassed significant experience in weathering difficult market conditions, the management will continue to take the necessary measures for ensuring the Group's long term sustainable growth. Stringent cost control measures, streamlining of operations, and generating business through effective promotions and diversification will be among the steps taken for delivering satisfactory returns to 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. Currently, the Group operates a network of 75 Chinese restaurants in Hong Kong and southern China under 12 brands. These include Tao Heung, Tao Square, Pier 88, Hak Ka Hut, Cheers Restaurant, Chao Inn, Chung's Cuisine, Shanghai Inn, TCT, One Roast, HITEA 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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