



Tao Heung Announces 2011 Interim Results

* * * * *

***More Than 20% Growth in Both Revenue and Net Profit
Driven by Rapid China Growth and Successful Cost Control***

Results Highlights

<i>For six months ended 30 June 2011</i>			
	2011	2010	Changes (%)
Revenue (HK\$mil)	1,706.9	1,391.9	+22.6%
Gross profit (HK\$mil)	285.0	214.2	+33.1%
EBITDA (HK\$mil)	259.7	215.1	+20.7%
Profit attributable to owners of the parent (HK\$mil)	125.3	104.4	+20.0%
Basic EPS (HK cents)	12.33	10.27	+20.1%
Interim dividend per share (HK cents)	6.20	6.20	-

(Hong Kong, 1 September 2011) - **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 2011.

The Group's total revenue was increased by 22.6% to approximately HK\$1,706.9 million. This was due to the opening of five new shops; ample growth from the Mainland China operations owing to a healthy economy and increased spending; and launch of several prominent promotions in Hong Kong that helped maintain customer traffic. Gross margin realized moderate growth, rising from 15.4% to 16.7%, while EBITDA increased by 20.7% to HK\$259.7 million, up from HK\$215.1 million recorded in the first half year of 2010. Profit attributable to owners of the parent was HK\$125.3 million, an increase of 20.0% compared to HK\$104.4 million over the same period last year.

The Board has proposed an interim dividend of HK6.2 cents per share for the six months ended 30 June 2011, representing a dividend payout ratio of 50.3%.

Mr. Eric Leung, CEO of Tao Heung, said, "We are very excited to achieve more than 20% growth in both revenue and profit amidst an increasingly challenging environment marked by inflation and the legal requirement of a minimum wage in Hong Kong. Our timely set-up of logistics centres once again proved effective in implementing cost control. By leveraging a more closely integrated vertical food supply chain after a poultry farm acquisition, complemented by greater automation and workflow re-engineering, we are capable of bolstering operational efficiency and delivering profit growth during the review period."

Hong Kong Operations

Hong Kong operations recorded steady growth in revenue of 12.3% to HK\$1,292.4 million, mainly due to incremental same store sales growth of 3.8% and local restaurant network expansion. The management has prudently opened four new outlets during the review period, raising the total to 68 outlets as at 30 June 2011.

During review period, food cost recorded double-digit growth owing to inflationary pressure and cost of labour increased as minimum wage laws were enforced, the Group was able to lessen the impact through greater automation and the proven success of standardised and simplified work flow. Taking into account of the depreciation of property, plant and equipment, which increased by 8.6% due to the establishment of the new logistics centre in Tai Po, profit attributable to owners of the parent was HK\$84.3 million, compared to HK\$90.3 million achieved in the last corresponding period.

Mainland China Operations

Exceptional growth was realized from the Mainland China operations as revenue topped HK\$414.5 million, up by 71.9% over the same period last year. Driving such growth has been the public's rising affluence and growing concerns towards food safety leading to increased demand for reputable and premium catering services. EBITDA increased sharply by 83.8% to HK\$94.3 million, up from HK\$51.3 million for the previous corresponding period. Profit attributable to owners of the parent increased at an equally encouraging rate of 191.9% to HK\$41.0 million. Improved profitability was the result of increased revenue, enhanced efficiency and greater food supply from the Dongguan Logistics Centre. Same store sales growth increased by 16.7%.

Logistics Centres

The Dongguan Logistics Centre achieved higher output and started to generate profit in the first half of 2011. Output at the centre was around 800 tonnes per month and by the end of 2011 will be 1,000 tonnes per month. The Tai Po Logistics Centre only commenced operation in January 2011 but already generated synergy with the Dongguan Logistics Centre and reached an average output of approximately 900 tonnes per month and the management has set an output target of 1,000 tonnes per month by the end of 2011.

Peripheral Businesses

Remarkable growth was achieved with revenue up 147.9%. In respect of airline catering, pre-packaged and chilled food continued to generate steady revenue for the Group, climbing from approximately HK\$35.9 million to approximately HK\$48.8 million. In addition, the poultry farm has become a new income source for the Group, which contributed approximately HK\$40.2 million in sales during the review period.

Outlook

Inflation is a global concern that has the potential to undermine all business sectors; however, when properly managed, as the Group was able to do following the SARS outbreak in 2003 and financial crisis in 2008, present fresh opportunities. After the aforementioned downturns, Tao Heung's restaurant

network actually expanded at an even faster pace than normal owing to the Group's capacity to leverage cost control measures that included bulk purchasing, greater utilization of its logistic centres and direct sourcing. As a leading Chinese restaurant group, the management of Tao Heung possesses solid experience in weathering uncertain market conditions and is confident that Tao Heung will emerge stronger and larger in the coming years.

Aside from controlling costs, the Group will place emphasis on developing in the Mainland China market. At present, two new restaurants are scheduled for opening in the upcoming half year, thereby raising the total shop count to 17 in Mainland China by the end of 2011. Another four shop locations have been confirmed which are located in the major cities in Guangdong Province, and Nanning in Guangxi Province. By the end of 2012, the management aims to operate up to 25 restaurants, while maintaining focus on strengthening its presence in Southern China.

In Hong Kong, the Group will seek to expand at a moderate rate with the opening of three new restaurants in the second half year. New sales channels including the "Take-away Counters" (外賣檔), which offer the Group's pre-packaged foods, have received favourable responses during past years; hence more products will be introduced and will feature new packaging.

The Dongguan and Tai Po Logistics Centres will continue to realize cost savings for the Group through enhanced efficiency. Phase 2 of the Tai Po Logistics Centre will be completed in early 2012, which will enable the Group to have greater capacity for producing festive foods and pre-packaged items, especially self-branded mooncakes.

Mr. Chung Wai Ping, Chairman of Tao Heung, concluded, "The management continues to develop formidable businesses in Hong Kong and Mainland China, supported by advanced infrastructure and reputation for being a champion of food safety, in the knowledge that it is building on a tradition of excellence that can be traced back 20 years. While we certainly cherish our 20th anniversary this year, the management is clearly committed to laying the groundwork so that Tao Heung can continue to enjoy fruitful and healthy growth in the decades to come."

- End -

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 84 Chinese restaurants in Hong Kong and southern China under 14 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, HIPOT, Joyous One and Cheers Palace. Tao Heung was listed on the Main Board of The Stock Exchange of Hong Kong Limited in June 2007.

Media Enquiries:

Strategic Financial Relations Limited

Ming Chan	Tel: (852) 2864 4892	Email: ming.chan@sprg.com.hk
Cissy Ho	Tel: (852) 2114 4903	Email: cissy.ho@sprg.com.hk
Sujida Lee	Tel: (852) 2864 4852	Email: sujida.lee@sprg.com.hk
Fax: (852) 2527 1196		