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TAO HEUNG HOLDINGS LIMITED

稻香控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 573)

PROFIT WARNING

This announcement is made by Tao Heung Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and under Rule 13.09 of the Listing Rules.

The Board of Directors (the “**Board**”) of the Company would like to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2020 (the “**Period**”), the Group is expecting to record a decrease in revenue of approximately 35% to 40% for the Period as compared to the corresponding period in 2019 and a loss attributable to equity holders of the Company of approximately HK\$56 million to HK\$61 million for the Period as compared to a profit attributable to equity holders of the Company of HK\$125 million for the corresponding period in 2019, mainly due to the impact of the outbreak of the novel coronavirus disease (COVID-19) and the subsequent anti-epidemic precautionary measures including restrictions on catering business premises imposed in Hong Kong and Mainland China to the operations of the Group since January 2020.

Based on the information currently available, the expected loss for the reporting year is mainly attributable to:

- i. a drop in revenue of the Group in the range of 35% to 40% as compared to the year ended 31 December 2019 and
- ii. impairment loss on property, plant and equipment and rights-of-use assets for restaurants of the Group that were underperformed during the Period.

During the Period, the introduction of ever stricter social distancing measures has followed, culminating in the suspension of group and evening dining. Such measures had a serious blow on consumption sentiment, and the F&B industry as a whole, including the Group. While our performance in Hong Kong was severely weakened, our performance in Mainland China was able to improve towards the second half year. The encouraging development can be attributed to the alertness of our management team which promptly and astutely devised various strategies to minimise the impact of the pandemic on both our Hong Kong and Mainland China operations. Such strategies have included leveraging the uptake of food takeout by fine-tuning our takeaway menus, improving the packaging for takeaway food items, and fully capitalising on various distribution channels. Besides, the Group has received certain government grants and subsidies from both Hong Kong and Mainland China governments in the year of 2020 under review, in which all subsidies under the Employment Support Scheme of the Hong Kong Government were included and directly used for paying the salaries and wages of employees.

The Company is still in the process of preparing and finalizing the Group's annual results for the Period. All information contained in this announcement are only based on a preliminary review of the information currently available and the unaudited consolidated management accounts of the Group for the Period, which have not been reviewed or audited by the Company's auditors, and are therefore subject to adjustments. Shareholders and potential investors are advised to read carefully the Company's annual results announcement for the Period, which is expected to be published in late March 2021.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Tao Heung Holdings Limited
CHUNG Wai Ping
Chairman

Hong Kong, 2 March 2021

As at the date of this announcement, the board of the Directors comprised nine Directors, of which four are executive Directors, namely Mr. CHUNG Wai Ping, Mr. WONG Ka Wing, Mr. HO Yuen Wah and Mr. CHUNG Chun Fung; two are non-executive Directors, namely Mr. FONG Siu Kwong and Mr. CHAN Yue Kwong, Michael and three are independent non-executive Directors namely Professor CHAN Chi Fai, Andrew, Mr. MAK Hing Keung, Thomas and Mr. NG Yat Cheung.

* *For identification purpose only*