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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 six months ended 30 June 2022 (the “**Period**”), the Group is expecting to record a decrease in revenue of approximately 15% to 20% for the Period as compared to the corresponding period in 2021 and a loss attributable to equity holders of the Company of approximately HK\$100 million to HK\$105 million for the Period as compared to a loss attributable to equity holders of the Company of HK\$21 million for the corresponding period last year. It is mainly attributable to:

- i. a drop in revenue of the Group in the range of 15% to 20% as compared to the period ended 30 June 2021 and
- ii. impairment loss on property, plant and equipment and right-of-use assets for restaurants of the Group that were underperformed during the Period

* For identification purpose only

During the Period, the COVID-19 pandemic continued to impact on the economy of Mainland China and Hong Kong. Since March 2022, travel restrictions and lockdowns imposed in major cities in Mainland China due to outbreaks of more contagious COVID-19 variants. Some of our restaurants located in Shanghai & Guangdong province were temporarily closed and/or suspended dine-in services for the period from March to June 2022. In Hong Kong, the city faced severe headwinds resulting from the fifth wave of the pandemic at the start of 2022, which led the HKSAR government to impose restrictions on evening dining from late-January to the middle of April. The aforementioned developments invariably affected the Group, which included the suspension of Hong Kong operations for 1,363 shop-days (totalling 41 shops), and of Mainland China operations for 1,049 shop-days (totalling 49 shops). In face of multiple challenge, our management team has devised various strategies to strengthen our competitive advantages. Such strategies included revamping the brands of restaurants, advancing digitisation and automation, introducing the new ingredients and menus as well as fully capitalising on various distribution channels. Furthermore, the Group has taken measures to control rental rates, labour cost and other operating costs.

The Group has applied “2022 Employment Support Scheme” launched by HKSAR government and the wage subsidies were fully used on paying wages to employees. The Group has also received subsidy of Fifth and Sixth round of Anti-epidemic Fund – Catering Business Subsidy Scheme, in which all subsidies were directly used in the ordinary course of business. In addition, the Group has benefited from Temporary Reduction and Exemption of Social Insurance Premiums (階段性減免企業社會保險費) from the Chinese government. The Group has been actively managing its working capital to ensure the Group remains in a healthy cash position.

The information contained in this announcement is only based on the preliminary review of the Group’s consolidated management accounts which have not been reviewed or audited by either the audit committee or the auditors of the Company. Therefore, such information is still subject to final review or necessary adjustments. The Company will announce its unaudited interim results for the six months ended 30 June 2022 as soon as practicable in compliance with the Listing Rules.

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
CHUNG Wai Ping
Chairman and Chief Executive Officer

Hong Kong, 11 August 2022

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.