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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 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\$140 million to HK\$150 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 decrease in revenue of the Group in the range of 15% to 20% as compared to the year ended 31 December 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 purposes only*

During the year, the global economy was impacted by several developments including the Russia-Ukraine war, global logistics disruptions, interest rate hikes, inflation, and the ongoing COVID-19 pandemic. Among all of these developments, COVID-related health measures had the most severe impact on the Group's operations in Hong Kong and Mainland China. Dine-in controls, pandemic prevention measures, border closures, lockdowns and isolation orders led to its restaurants suspending operations for several months. In Hong Kong, these precautionary measures led to closure of an aggregate of 1,363 days for 41 shops, from mid-February to mid-April 2022. The operations in Hong Kong was improved in the second half year as compared to the first six months. As for Mainland China, the Group's restaurant operations did not perform well due to a surge in COVID-19 cases in the second half year. The government implemented more stringent measures resulting in suspended operations with an aggregate of 1,926 days for 49 shops, from March to December 2022. In response to the challenging business environment, the management has implemented various strategies to, on the one hand, maintain top line sales through different promotion campaigns for the restaurant operation and extending reach of the chilled and packaged food business; and, on the other hand, continue consolidating internal operation to enhance efficiency and cost control measures.

Separately, the Hong Kong SAR Government has offered various subsidies during the year to support the industry through this difficult time, namely the 2022 Employment Support Scheme, and the fifth and sixth round of Anti-epidemic Fund – Catering Business Subsidy Scheme. In addition, the Group has also benefited from the training subsidies for employees staying on the job (一次性留工培訓補助), as well as other forms of subsidies from the Chinese government for its Mainland China operation. The Group has been actively managing its working capital to maintain a healthy cash position.

The Company is still in the process of preparing and finalizing the Group's annual results for the Period. The information contained in this announcement is only based on the 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 either the audit committee or the auditors of the Company. Therefore, such information is still subject to final review or necessary 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 by the end of March 2023.

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, 17 March 2023

As at the date of this announcement, the board of the Directors comprised ten 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 four are independent non-executive Directors namely Professor CHAN Chi Fai, Andrew, Mr. MAK Hing Keung, Thomas, Mr. NG Yat Cheung and Ms. WONG Fun Ching.