TAO HEUNG HOLDINGS LIMITED
稻 香 控 股 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 573)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS

	For the year ended 31 December		Decrease in
	2024	2023	**%**
	(HK$'000)	*(HK$'000)*	
Revenue	**2,425,635**	2,949,362	(17.8)
(Loss)/profit after tax	**(45,768)**	85,456	(153.6)
(Loss)/profit attributable to equity holders of the Company	**(52,801)**	73,655	(171.7)
	HK cents	*HK cents*	
Basic (loss)/earnings per share	**(5.21)**	7.26	(171.7)
Proposed final dividend per share	**–**	3.00	(100.0)
No. of restaurants and bakery outlets			
at 31 December	**87**	99	(12.1)
at announcement date	**85**	96	(11.5)

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Tao Heung Holdings Limited (the "**Company**") together with its subsidiaries ("**Tao Heung**" or the "**Group**"), I hereby present the annual results of the Group for the year ended 31 December 2024.

Business Review

The past 12 months have remained a highly challenging period; geopolitical tensions, interest rate hikes and inflation have hindered the local and global economic recovery. According to findings from the Organisation for Economic Co-operation and Development (OECD), global economic growth was 3.2% in 2024, while inflation hovered at 5.4%[1]. These unfavourable factors dampened consumption sentiment, increased financing costs, and generated risks along the supply chain. Locally, Hong Kong's real gross domestic product (GDP) grew by 2.5% in 2024, which was slower than global growth. And if analysed by major GDP components, private consumption expenditure in 2024 actually declined by 0.6% in real terms from 2023[2], indicating exceptionally weak consumption sentiment among Hong Kong consumers. In Mainland China, the National Bureau of Statistics reported the national GDP rising by 5.0% over the previous year[3]. Even though overall economic growth was fair, the combination of fierce competition and cautious spending by consumers created a difficult environment for the Group's restaurants.

Amid these trying times, we believe that it is appropriate to review and consolidate our operations so that they are fully prepared for an eventual market rebound. We will therefore dedicate efforts to strengthen our three core quality values (三優); hence, will review our menus and ingredients to refine our product offerings; improve service quality to boost customer satisfaction and retention; and refurbish restaurants to offer an even more appealing ambience. At the same time, we will continue to expedite digitalisation efforts, and cost and efficiency enhancements, which constitute the Group's key focus. Although it has been a difficult year, we remain committed to equipping ourselves and getting prepared to capture the market opportunities that arise.

Financial Results

The Group recorded revenue of HK$2,425.6 million (2023: HK$2,949.4 million) for the year, which represents a year-on-year decline of 17.8%. Gross profit margin (defined as total revenue less cost of inventories sold divided by total revenue) was 66.6% (2023: 65.8%). The Group also reported a loss attributable to equity holders of the Company of HK$52.8 million (2023: profit of HK$73.7 million) for the year.

The Board has resolved not to propose a final dividend for the year ended 31 December 2024.

1 https://www.oecd.org/en/about/news/press-releases/2024/12/economic-outlook-global-growth-to-remain-resilient-in-2025-and-2026-despite-significant-risks.html

2 https://www.censtatd.gov.hk/en/press_release_detail.html?id=5547

3 https://www.stats.gov.cn/english/PressRelease/202502/t20250228_1958822.html

Hong Kong Operations

The Hong Kong operations generated revenue of HK$1,624.3 million (2023: HK$1,783.4 million), which was down 8.9% year on year. Earnings before interest, tax, depreciation and amortisation (EBITDA) of HK$220.8 million (2023: HK$321.0 million) were recorded, slipping by 31.2% from the corresponding period last year. Profit attributable to equity holders of the Company totalled HK$2.2 million (2023: HK$57.8 million), down by 96.2% year on year.

The retail and F&B sectors in Hong Kong continued to face numerous obstacles in 2024. In general, the public has increasingly elected to travel abroad on weekends and long holidays, while on weeknights most prefer staying in. Such consumption trends have severely impacted the local restaurant industry during the year. In response to lower customer traffic, we have offered "value for money" promotions such as the one-dollar dish series, buy-one-get-one-free offers and HK$9.9 late-night hotpot series. While they have been well received by customers and helped maintain our top line, profitability has inevitably been affected. Accordingly, we have continued to bolster the Hong Kong operations by refining our restaurant portfolio. Our brand "Chung's Kitchen (鍾廚)", which targets relatively more affluent customers who seek quality yet also appreciate good value, did particularly well. A new Chung's Kitchen was subsequently opened at One Peking Road in Tsim Sha Tsui during the year. In addition, we introduced a new F&B-style outlet — "Chung's Tea House (鍾茶館)", at The Peak Tower. Along with offering a variety of exquisite Cantonese dim sums and Chinese teas, Chung's Tea House also delivers local delicacies including our Tai Cheong egg tarts and Chinese doughnuts.

On the cost front, operating expenditures have continued to remain high during the year. With a persistent shortage of labour in Hong Kong, salaries remain high, which impacts the overall profitability of the Group. Despite such high salaries, however, it has still been difficult to maintain a stable and good-quality workforce. During the year, we participated in the HKSAR Government Enhanced Supplementary Labour Scheme, which has allowed us to import workers from outside Hong Kong to ease the labour supply pressure. Although overall cost is similar due to relevant expenses, we have witnessed a positive impact on our operations as staff are more stable and dedicated. The management will continue to direct efforts towards cost control so as to improve the overall profitability of the Group in the years to come.

Even though the Hong Kong OEM operation is still a relatively small portion of the Group's business, it did exceptionally well, achieving a significant growth in sales. With our Hong Kong logistics centre earning the FSSC 22000 food safety management certification in early 2024, we have gained the trust of an even larger pool of quality OEM customers, which now includes restaurants, hotels, private clubs, canteens, theme park resorts and retail chain stores. Also, our product portfolio has expanded from such popular Chinese items as *dim sum*, *siu mei* (Chinese-style roast meats) and baked goods, to include Western snacks and delicacies. We plan to grow the high-potential OEM segment by conducting research and development on even more products to meet the needs of our increasingly diverse customer base.

As at 31 December 2024, the Group operated a total of 45 restaurants in Hong Kong (2023: 43). With respect to Tai Cheong, there were a total of 5 bakeries in Hong Kong (2023: 6) and 11 in Singapore (2023: 11). In celebration of the 70th anniversary of Tai Cheong, the Group has organised various commemorative activities, including egg tart workshops, cross-over product cooperation and a Tai Cheong history exhibition, on top of launching special anniversary products.

Mainland China Operations

The Mainland China operations recorded revenue of HK$801.3 million (2023: HK$1,165.9 million) for the year, contracting by 31.3% year on year, with EBITDA at HK$90.1 million (2023: HK$189.1 million), down 52.3%. It also registered a loss attributable to equity holders of the Company of HK$55.0 million (2023: profit of HK$17 million).

On top of the highly competitive landscape of the Mainland China F&B industry, our restaurant operation was also particularly affected by the substantial decline in demand for larger-scale banquets, such as corporate dinners, celebrations and weddings, which used to constitute a significant proportion of its business. In witnessing the shift in consumption behaviour, we elected to close over 10 restaurants during the year, which in turn resulted in a sharp decline in segment revenue. Moreover, the restoration work associated with such closures also resulted in one-off asset write-offs and relevant expenses that affected the segment results. We have therefore taken this opportunity to consolidate the Mainland China operations by strengthening its three core values: product, service and dining environment.

In terms of marketing efforts, we have formulated digital marketing strategies in recent years to attract a broader spectrum of target customers, complementing our ongoing in-store promotions. This has involved the use of social media platforms such as *Xiao Hong Shu* (小紅書), WeChat and Dianping.com (大眾點評) to introduce restaurant promotions that have led to positive results. As the scale of social media promotions is relatively small at present, the management will further develop these online marketing channels to drive top-line sales.

As at 31 December 2024, the Group had a total of 26 restaurants (2023: 39) in Mainland China. Branch closures were conducted following careful consideration. We believe that this round of closures is of strategic importance, as by rationalising our operations during this difficult and uncertain period, the Group will be in a better position to right-size operations as conditions allow.

The Group's chilled and packaged food segment remained in a stable position during the year. This can be attributed to our business development efforts, including such innovative products as Chinese zodiac animal buns and brand collaboration steam buns. Moreover, we have engaged social media and e-commerce platforms on top of our traditional distribution partners, including TikTok (抖音), Tmall (天貓), JD.com (京東), and Ping Duo Duo (拼多多), among others. We have also commenced selling our products to overseas markets, although on a relatively small scale. The Group plans to further expand the product portfolio, and extend the distribution channels and geographical coverage of the chilled and packaged food products to facilitate its growth.

Peripheral Businesses

The performance of the Group's self-owned supermarket business has weakened compared to last year. Although performance was less satisfactory, the supermarket business is conducive to attracting new customers and strengthening connections with existing ones, thus reinforcing Tao Heung's overall customer base.

In order to offer better shopping experiences to customers, the Group has revised certain in-store product displays, so as to also entice customers to explore a wider range of products. Additionally, Tao Heung has introduced imported products from other regions to build customer loyalty.

Corporate Social Responsibilities

From the outset, giving back to society has been one of Tao Heung's corporate missions. In the past year, we cooperated with different social welfare organisations to support our community, including hosting visits to the Tao Heung Museum of Food Culture for schools, elderly homes, and community centres. We also invited schools to participate in mooncake, spring roll and mochi workshops. For the underprivileged families, we organised museum visits and set up dim sum workshops. Additionally, our volunteer team collaborated with Food Angel Hong Kong to serve nutritious meals to elderlies in the local community. It is worth noting as well that we run cooking academies in Hong Kong and Mainland China to build a talent pool for serving the whole F&B industry.

In recognition of our commitment, our "Pier 88 (稻香超級漁港)" operation has been recognised as a Quality Merchant by the Hong Kong Tourism Board for the 20th consecutive year. As for the Group, it garnered the Junzi Corporation Award from The Hang Seng University of Hong Kong during the year. This is in recognition of Tao Heung's exemplification of the "Five Virtues" of "Junzi", namely, "Benevolence, Righteousness, Propriety, Wisdom and Sincerity", which are the core values of Confucianism.

Financial Resources and Liquidity

As at 31 December 2024, the total assets decreased by 14.4% to approximately HK$1,874.5 million (2023: approximately HK$2,188.8 million) while the total equity decreased by 8.0% to approximately HK$1,154.2 million (2023: approximately HK$1,254.3 million). As at 31 December 2024, the Group's total current assets and current liabilities were approximately HK$520.2 million (2023: approximately HK$649.9 million) and approximately HK$499.3 million (2023: approximately HK$576.7 million), respectively, while the current ratio calculated by dividing the total current assets over the total current liabilities was approximately 1.04 (2023: approximately 1.13). Funding for the Group's operation was sourced mainly from internally generated cash flows, with flexibility through the use of bank loans. As at 31 December 2024, the Group had cash and cash equivalents amounted to approximately HK$213.3 million (2023: approximately HK$345.1 million). After deducting the total interest-bearing bank borrowings of approximately HK$55.1 million (2023: approximately HK$85.7 million), the Group had a net cash surplus position of approximately HK$158.2 million (2023: approximately HK$259.4 million). As at 31 December 2024, the Group's total interest-bearing bank borrowings were decreased to approximately HK$55.1 million (2023: approximately HK$85.7 million) during the year. The gearing ratio (defined as the total of interest-bearing bank borrowings divided by the total equity attributable to the owners of the Company) was decreased to approximately 4.8% (2023: 7.0%). The Group maintains prudent funding and treasury policies towards its overall business operations and continues to apply measure to control costs, enhance cash flow and operational efficiency.

Capital expenditure

Capital expenditure for the year ended 31 December 2024 amounted to approximately HK$74.6 million (2023: approximately HK$98.9 million) and the capital commitments as at 31 December 2024 amounted to approximately HK$3.4 million (2023: approximately HK$2.1 million). The capital expenditure and the capital commitments were mainly for the renovation of the Group's new and existing restaurants and logistics centres.

Contingent liabilities

As at 31 December 2024, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$31.1 million (2023: approximately HK$32.5 million).

Foreign exchange risk management

The Group's sales and purchases for the year ended 31 December 2024 were mostly denominated in Hong Kong Dollars ("**HK$**") and Renminbi ("**RMB**"). The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of the RMB against HK$ may have impact on the Group results.

The Group currently does not maintain a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and arranges foreign exchange forward contracts to minimise foreign currency exposure when appropriate.

Human resources

As at 31 December 2024, the Group had 4,009 employees. In order to attract and retain the high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. In addition, the Group also adopted share option schemes, where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 31 December 2024, there are 6,030,000 outstanding options granted under the Share Option Scheme which have not been exercised yet.

Pledge of assets

As at 31 December 2024, the Group pledged its bank deposits of approximately HK$14.7 million (2023: approximately HK$15.0 million), right-of-use assets of approximately HK$45.3 million (2023: approximately HK$46.1 million) and buildings of approximately HK$26.9 million (2023: approximately HK$28.0 million) and investment properties of approximately HK$18.9 million (2023: approximately HK$20.5 million) to secure the banking facilities granted to the Group.

Prospects

According to the International Monetary Fund, global GDP is expected to expand by 3.3% in 2025, while inflation is projected to ease to 4.2%[1]. The modest improvements are nonetheless clouded by persistent concerns surrounding geopolitical conflicts and rising trade tensions that would hamper economic growth, and in turn, erode consumer confidence. On top of such macro developments, the F&B industry will also need to deal with persistently high interest rates and labour costs, compounded by city-specific challenges, all of which will affect the performance of our restaurant operations.

To tackle the difficult conditions, the Group will push ahead with various marketing initiatives in the new financial year, with the goal of reaching out to more new customers and giving existing customers more enjoyable dining experiences. Correspondingly, our Chung's Kitchen at One Peking Road has joined a high-end dining digital platform from February onwards, where special offers are given to targeted customers. The response has been satisfactory and generated healthy sales. We have also installed self-serve hot plates at the Group's "Boat One 壹號漁船" outlets, where customers can enjoy cooking directly on sizzling hot plates along with authentic hotpots on the side. For our traditional Tao Heung restaurants, we will continue to offer various value-for-money menu sets and dishes, such as the HK$9.9 pigeons and lamb pots, given their popularity among customers. Apart from product marketing, the Group will continue to elevate the quality of services. This will include analysing consumption habits and preferences of our customers through market research, as well as allocating more resources to train employees and implement reward programmes to incentivise frontline staff to deliver better services.

On the logistics front, we are pleased to note that the Hong Kong logistics centre obtained the FSSC 22000 certification this year, which is among the highest-level third-party food safety audits conducted targeting specifically the food manufacturing industry. While we are confident that the certification will enable the Group to secure greater business in the Hong Kong OEM segment, we will continue to invest in technologies to upgrade the equipment and production procedures at the Hong Kong logistics centre to expand the scale of operation, which in turn will allow us to boost overall profitability.

Regarding Mainland China, we will closely monitor consumer needs and market trends, adjusting our menus, pricing, service scope and marketing strategies accordingly. Recognising the effectiveness of social media platforms, we will continue to leverage local platforms to enhance business and brand exposure. In addition to the current social media channels being employed, we will explore more

1 https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025#:~:text=Global%20growth%20is%20projected%20at,19)%20average%20of%203.7%20percent.

diverse channels and establish ties with different KOL partners as well. With respect to the chilled and packaged food segment, we have started selling our products in overseas markets on top of our self-owned supermarkets, e-commerce platforms and wholesale distributors. The management will actively explore overseas opportunities going forward, including Southeast Asian countries, Australia, and the United Kingdom, with the hope of bringing the Tao Heung brand and its delicacies to people around the world.

Overall, given the uncertain economic outlook for 2025, we will observe a cautious development strategy. This will involve the expansion of the restaurant network in a judicious manner, further boosting the efficiency of the logistics centres, adopting strict cost controls and maintaining healthy cash flows. In this way, we can ensure the sustainability of our businesses, respond promptly to market shifts and create long-term value for shareholders. Even though the F&B segment has faced tremendous headwinds, we firmly believe that the demand for quality food is enduring, particularly Chinese cuisine in Hong Kong and Mainland China, hence are confident in the long-term development of Tao Heung.

APPRECIATION

In the face of adversity, it has been truly rewarding to witness the resilience of our business. This was made possible by the dedication and diligence of our staff who deserve our utmost praise and appreciation. Our heartfelt gratitude also goes to our shareholders and stakeholders for their unwavering support. We look forward to continuing this journey together and achieving success in the future.

Chung Wai Ping
Chairman and Chief Executive Officer

Hong Kong
26 March 2025

RESULTS

The board of directors (the "**Board**") of Tao Heung Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively "**Tao Heung**" or the "**Group**") for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	**2024** *HK$'000*	2023 *HK$'000*
REVENUE	*4*	**2,425,635**	2,949,362
Cost of sales		**(2,292,565)**	(2,623,696)
Gross profit		**133,070**	325,666
Other income and gains, net	*4*	**60,823**	85,551
Selling and distribution expenses		**(58,271)**	(74,854)
Administrative expenses		**(133,421)**	(165,492)
Other expenses		**(15,579)**	(28,479)
Finance costs	*5*	**(18,517)**	(24,798)
Fair value loss on investment properties		**(2,000)**	–
Share of (losses)/profits of associates		**(616)**	2,151
(LOSS)/PROFIT BEFORE TAX	*6*	**(34,511)**	119,745
Income tax expense	*7*	**(11,257)**	(34,289)
(LOSS)/PROFIT FOR THE YEAR		**(45,768)**	85,456
Attributable to:			
Equity holders of the Company		**(52,801)**	73,655
Non-controlling interests		**7,033**	11,801
		(45,768)	85,456
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic (HK cents)	*9*	**(5.21)**	7.26
– Diluted (HK cents)	*9*	**(5.21)**	7.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	2024	2023
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(45,768)**	85,456
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(13,495)**	(1,443)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(59,263)**	84,013
Attributable to:		
Equity holders of the Company	**(65,703)**	72,339
Non-controlling interests	**6,440**	11,674
	(59,263)	84,013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**659,409**	732,114
Right-of-use assets		**452,120**	538,194
Investment properties		**23,100**	25,100
Goodwill		**36,134**	36,557
Other intangible asset		**–**	–
Investments in associates		**11,559**	13,025
Deferred tax assets		**125,385**	121,694
Deposits and other receivable		**43,010**	68,606
Deposits for purchases of items of property, plant and equipment		**3,579**	3,642
Total non-current assets		**1,354,296**	1,538,932
CURRENT ASSETS			
Inventories		**117,655**	132,955
Trade receivables	*10*	**45,770**	55,980
Prepayments, deposits and other receivables		**122,206**	100,855
Tax recoverable		**6,635**	–
Pledged deposits		**14,658**	14,951
Cash and cash equivalents		**213,316**	345,146
Total current assets		**520,240**	649,887
CURRENT LIABILITIES			
Trade payables	*11*	**89,828**	133,093
Other payables and accruals		**188,219**	221,919
Interest-bearing bank borrowings		**21,342**	37,756
Lease liabilities		**190,158**	176,196
Tax payable		**9,732**	7,694
Total current liabilities		**499,279**	576,658
NET CURRENT ASSETS		**20,961**	73,229
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,375,257**	1,612,161

	2024	2023
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables and accruals	**8,679**	9,609
Interest-bearing bank borrowings	**33,751**	47,951
Lease liabilities	**158,859**	281,907
Deferred tax liabilities	**19,805**	18,439
Total non-current liabilities	**221,094**	357,906
Net assets	**1,154,163**	1,254,255
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**101,435**	101,435
Reserves	**1,035,467**	1,131,599
	1,136,902	1,233,034
Non-controlling interests	**17,261**	21,221
Total equity	**1,154,163**	1,254,255

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sales and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any significant impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of finance statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through a chain of restaurants and bakery shops. Information reported to the Group's chief operating decision maker (i.e., the Chief Executive Officer) for the purpose of resource allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following tables present revenue from external customers for the years ended 31 December 2024 and 2023 and certain non-current asset information as at 31 December 2024 and 2023 by geographic area.

(a) *Revenue from external customers*

	2024	2023
	HK$'000	*HK$'000*
Hong Kong	**1,624,316**	1,783,447
Mainland China	**801,319**	1,165,915
	2,425,635	2,949,362

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2024	2023
	HK$'000	*HK$'000*
Hong Kong	**506,538**	548,147
Mainland China	**679,363**	800,485
	1,185,901	1,348,632

The non-current asset information above is based on the locations of assets and excludes financial assets and deferred tax assets.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2024	2023
	HK$'000	*HK$'000*
Restaurant and bakery operations	**2,134,008**	2,616,895
Sale of food and other items	**190,744**	198,708
Poultry farm operations	**100,883**	133,759
	2,425,635	2,949,362

An analysis of other income and gains, net is as follows:

	2024	2023
	HK$'000	*HK$'000*
Bank interest income	**6,181**	6,861
Compensation received	**17,127**	35,364
Government grants	**2,265**	3,822
Gross rental income	**1,321**	1,216
Sponsorship income	**705**	1,114
Gain on termination of leases	**21,423**	12,750
Foreign exchange gains, net	**–**	3,167
Others	**11,801**	21,257
	60,823	85,551

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2024	2023
	HK$'000	*HK$'000*
Interest on bank loans	**2,291**	5,950
Interest on lease liabilities	**16,226**	18,848
	18,517	24,798

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2024	2023
	HK$'000	*HK$'000*
Cost of inventories sold	**810,320**	1,007,710
Depreciation of property, plant and equipment*	**129,784**	150,547
Depreciation of right-of-use assets*	**197,061**	215,010
Employee benefit expense* (including directors' remuneration):		
Salaries and bonuses	**717,236**	795,674
Retirement benefits scheme contributions (defined contribution schemes)	**49,266**	55,559
	766,502	851,233
Lease payment not included in the measurement of lease liabilities*	**6,064**	10,476
Foreign exchange losses/(gains), net	**2,461**	(3,167)
Auditors' remuneration	**5,163**	5,526
Impairment of items of property, plant and equipment	**1,898**	4,375
Impairment of right-of-use assets	**8,911**	6,766
Impairment of goodwill	**–**	1,879
Reversal of impairment of trade receivables, net	**(324)**	(585)
Reversal of impairment of other receivable	**–**	(1,136)
Write-off of items of property, plant and equipment	**2,633**	17,180

* The cost of sales for the year ended 31 December 2024 amounting to HK$2,292,565,000 (2023: HK$2,623,696,000) included depreciation of property, plant and equipment of HK$119,979,000 (2023: HK$141,569,000), depreciation of right-of-use assets of HK$197,061,000 (2023: HK$214,828,000), employee benefit expense of HK$693,961,000 (2023: HK$763,564,000) and lease payments not included in the measurement of lease liabilities of HK$6,064,000 (2023: HK$10,476,000).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2024	2023
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**10,509**	7,828
Overprovision in prior year	**(65)**	(43)
Current – Mainland China	**3,448**	5,224
Deferred	**(2,635)**	21,280
Total tax charge for the year	**11,257**	34,289

8. DIVIDENDS

	2024	2023
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2022 final dividend – HK3.00 cents per ordinary share	**–**	30,430
2023 interim dividend – HK3.00 cents per ordinary share	**–**	30,430
2023 final dividend – HK3.00 cents per ordinary share	**30,430**	–
	30,430	60,860
Dividends proposed after the end of the reporting period:		
Final dividend – Nil (2023 final dividend – HK3.00 cents per ordinary share)	**–**	30,430

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,014,348,000 (2023: 1,014,348,000) outstanding during the year.

No adjustment has been made to the basic (loss)/earnings per share amount in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic (loss)/earnings per share.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2024	2023
	HK$'000	*HK$'000*
(Loss)/profit		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(52,801)**	73,655

	Number of shares	
	2024	2023
Shares		
Number of ordinary shares outstanding during the year used in the basic and diluted (loss)/earnings per share calculation	**1,014,348,000**	1,014,348,000

10. TRADE RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables	**47,312**	57,846
Impairment	**(1,542)**	(1,866)
	45,770	55,980

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group also grants a credit period between 30 to 90 days to certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 1 month	**24,947**	40,240
1 to 3 months	**14,369**	15,090
Over 3 months	**6,454**	650
	45,770	55,980

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Within 1 month	**84,572**	90,152
1 to 2 months	**2,165**	34,907
2 to 3 months	**350**	2,055
Over 3 months	**2,741**	5,979
	89,828	133,093

The trade payables are non-interest-bearing and generally with payment terms within 60 days.

OTHER INFORMATION

Dividend

The Board has resolved not to propose a final dividend for the year ended 31 December 2024.

Closure of Register of Members

The register of members of the Company will be closed during the following period:

From Saturday, 24 May 2025 to Thursday, 29 May 2025, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2024 Annual General Meeting. In order to be eligible to attend and vote at the 2024 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 May 2025.

During the period mentioned above, no transfer of shares will be registered.

Corporate Governance

During the year ended 31 December 2024, the Company has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and complied with all applicable code provisions under the Code, save and except for the deviation from the code provision C.2.1 of the Code. Under the code provision C.2.1, the roles of Chairman and Chief Executive Officer ("**CEO**") should be separate and should not be performed by the same individual. Currently, the Company does not comply with code provision C.2.1, i.e., the roles of the Chairman and CEO have not been separated. Considering that Mr. Chung Wai Ping has been operating and managing the Group since its incorporation, the Board believes that it is in the best interest of the Group to have Mr. Chung Wai Ping taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from code provision C.2.1 is appropriate in such circumstance.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix C3 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors have complied with the required standards as set forth in the Model Code throughout the year ended 31 December 2024.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Audit Committee

The Company established the Audit Committee on 9 June 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes, the internal control systems and licensing issues of the Group. Currently, Mr. Mak Hing Keung, Thomas, Professor Chan Chi Fai, Andrew, and Ms. Wong Fun Ching all being Independent Non-executive Directors and Mr. Chan Yue Kwong, Michael, a Non-executive Director, are members of the Audit Committee with Mr. Mak Hing Keung, Thomas, being the chairman.

The Company's annual results for the year ended 31 December 2024 have been reviewed by the Audit Committee, which is of the view that the applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

Scope of Work of the Company's Auditor in respect of this Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2024, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2024. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company's auditor on this preliminary announcement.

Annual General Meeting

The 2024 Annual General Meeting of the Company will be held on Thursday, 29 May 2025. Notice of the 2024 Annual General Meeting will be published and issued to shareholders in due course.

Disclosure of information on the Stock Exchange's website

The electronic version of this announcement will be published on the website of the Stock Exchange *(www.hkexnews.hk)* and the website of the Company *(www.taoheung.com.hk)*.

By order of the Board
Chung Wai Ping
Chairman and Chief Executive Officer

Hong Kong, 26 March 2025

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.