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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

HIGHLIGHTS	For the year ended 31 December		Increase/ (decrease) in %
	2025 (HK\$'000)	2024 (HK\$'000)	
Revenue	2,319,120	2,425,635	(4.4)
Loss after tax	(58,653)	(45,768)	28.2
Loss attributable to equity holders of the Company	(59,932)	(52,801)	13.5
	<i>HK cents</i>	<i>HK cents</i>	
Basic loss per share	(5.91)	(5.21)	13.4
No. of restaurants and bakery outlets at 31 December	85	87	(2.3)
at announcement date	82	85	(3.5)

* 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 2025 (the “**Year**”).

Business Review

The Year under review was marred by persistent headwinds across the food and beverage (“**F&B**”) industry in both Hong Kong and the Chinese mainland. Although certain macroeconomic indicators showed signs of stabilising, consumer sentiment remained cautious, and the F&B industry continued to face growing competition and structural shifts in consumption behaviour. In Hong Kong, real GDP grew by 3.5% over 2024¹; however, private consumption expenditure recorded only moderate and uneven growth, reflecting subdued household spending amid ongoing macroeconomic and geopolitical uncertainties. The continued “outbound travel” and “northbound consumption” trends further diverted local spending away from the retail and F&B sectors, with outbound travel increasing by approximately 12.3% year-on-year in 2025². As a result, consumption within the local F&B market remained soft despite overall economic growth. In the Chinese mainland, the recovery was also muted, with revenue from catering enterprises above a designated size rising by only 2.0% in 2025, lagging both the 3.2% growth of the overall catering sector and the 3.7% increase in retail sales of consumer goods³, indicating weaker demand for large-scale corporate banquets and celebratory events. Meanwhile, industry competition intensified under ongoing pricing pressure, accompanied by an ongoing shift in consumer preference toward takeaway services over dine-in experiences.

During the Year, the Group implemented a range of marketing initiatives aimed at driving customer traffic and spending. Store renovations were carried out to elevate the dine-in experience, complemented by value-for-money offerings and promotional programmes designed to strengthen competitiveness. Revenue from the Hong Kong market remained relatively stable despite a challenging operating environment. In the Chinese mainland, where market competitions were more intense, the Group stepped up its digital marketing efforts and traffic acquisition strategies to increase brand visibility and stimulate sales.

The Group remained focused on disciplined cost management and boosting operational efficiency. Continuous efforts were made to optimise rental agreements, strengthen control of food costs through strategic menu planning, and improve labour productivity by refining workforce management practices. While these initiatives helped mitigate cost pressures, profit margins were nonetheless affected by the combination of softer revenue performance and promotional campaigns undertaken to support sales.

¹ https://www.censtatd.gov.hk/en/web_table.html?id=310-30001

² https://www.censtatd.gov.hk/en/data/stat_report/product/B1010002/att/B10100022026MM01B0100.pdf

³ https://www.stats.gov.cn/sj/zxfb/202601/t20260119_1962323.html

In light of structural shifts in the Hong Kong market and evolving consumption patterns in the Chinese mainland, the management will continue to take a prudent and disciplined approach. The Group will pursue selective store openings in Hong Kong where suitable opportunities arise, further reinforce its digital presence in the Mainland, and maintain stringent cost controls to safeguard profitability and ensure long-term sustainability.

Financial Results

The Group recorded revenue of HK\$2,319.1 million (2024: HK\$2,425.6 million) for the Year, representing a year-on-year decline of 4.4%. Gross profit margin (defined as total revenue less cost of inventories sold divided by total revenue) was 64% (2024: 67%). The Group also reported a loss attributable to equity holders of the Company of HK\$59.9 million (2024: HK\$52.8 million) for the Year.

The Board has resolved not to propose a final dividend for the year ended 31 December 2025.

Hong Kong Operations

The Hong Kong operations recorded revenue of HK\$1,620.0 million (2024: HK\$1,624.3 million), which was at a similar level to the preceding year. Earnings before interest, tax, depreciation and amortisation (EBITDA) were increased by 5.8% year-on-year to HK\$233.5 million (2024: HK\$220.8 million). A loss attributable to equity holders of the Company of HK\$8.4 million (2024: Profit of HK\$2.2 million) was reported, which was primarily due to the impairment of deferred tax assets recognised in the Year.

During the Year, the Group expanded its restaurant portfolio with the opening of two new “Hakka Bistro” (客館) outlets, adopting a relatively smaller store area of approximately 3,000 to 4,000 square feet. This streamlined model enhances operational efficiency and cost control while delivering the same high-quality menu offerings expected by customers. The initial performance of these outlets has been encouraging, testifying to the viability of this optimised format. To further elevate the customer experience and productivity, the Group completed renovations at a total of 11 restaurants during the Year. The upgrades focused on improving dining ambience and workflow efficiency. Selected outlets introduced takeaway counters and BBQ display stations at storefronts to capture growing takeaway demand and increase foot traffic. The renovated locations recorded a noticeable improvement in sales performance, underscoring the effectiveness of these enhancements. In addition, various promotional campaigns were launched throughout the Year to broaden the customer base and improve table turnover. Value-driven initiatives, such as two-dish takeaway menus (兩餸飯) and three-dish dinner sets (晚市三重奏), allowed customers to enjoy restaurant-quality meals at affordable prices. Early dining discounts (早啲開飯) were also introduced to encourage earlier patronage and enable additional dinner seatings each evening. Other promotional offers, including signature HK\$9.9 pigeons, lamb pots, and special dim sum priced at seven, eight, and nine dollars (\$7/8/9 點心), proved effective in attracting value-conscious consumers and stimulating traffic throughout the day.

Overall, operating costs remained relatively stable during the Year. Food costs were effectively managed through global sourcing strategies, disciplined menu planning, and ongoing efforts to reduce wastage. Rental expenses declined modestly in line with prevailing market trends, while labour costs were contained through refined workforce management and productivity enhancement initiatives. Although these measures helped alleviate cost pressures, overall margins were nonetheless impacted by competitive pricing strategies and a softer consumption environment.

As at 31 December 2025, the Group had a total of 45 restaurants in Hong Kong (2024: 45). As for Tai Cheong bakeries, there were a total of 6 in Hong Kong (2024: 5) and 11 in Singapore (2024: 11).

The OEM business recorded growth in both the number of customers and the average order volume per customer during the Year. Also, the customer base expanded beyond restaurants, hotels, private clubs, canteens, theme park resorts, and retail chain stores to include organisers of large-scale events in the city. In terms of product portfolio, the Group also launched a new corporate meal service, offering high-quality meal solutions designed for corporate clients. Under this model, employees place advance orders from curated menus featuring restaurant-quality dishes that are centrally prepared under stringent quality control and delivered directly to client premises. While initial corporate orders have been encouraging, the service remains at an early stage of development. The Group will continue to cultivate this segment as part of its broader strategy to diversify revenue streams and enhance utilisation of its production facilities. Given the growing number of international and large-scale events being held in Hong Kong under strong government support, the Group believes its OEM segment, particularly in relation to supplying event organisers, holds significant growth potential.

Chinese mainland Operations

The Chinese mainland operations recorded revenue of HK\$699.1 million (2024: HK\$801.3 million) for the Year, down by approximately 12.8% year on year, with EBITDA at HK\$34.4 million (2024: HK\$90.1 million), down 61.8%. Also, a loss attributable to equity holders of the Company of HK\$51.5 million (2024: HK\$55.0 million) was recorded.

The operating environment in the Chinese mainland remained challenging during the Year, weighed down by weaker consumer sentiment and modest discretionary spending. Corporate banquets, wedding celebrations, and business entertainment activities declined sharply, leading to subdued demand for traditional large-scale dining events. Following the closure of over ten restaurants in the previous financial year and a further lowering of same-store sales, segment revenue recorded an appreciable decline. In response, the management continued to consolidate the Chinese mainland restaurant business by streamlining operations and reviewing overall strategies. To enhance customer appeal amid changing consumption trends, the Group introduced new product offerings to broaden its customer base and refresh its brand positioning. This included the rollout of some creative items such as roast goose leg rice noodle rolls (燒鵝腿腸粉) and late-night dim sum buffets targeted at younger consumers to stimulate non-peak traffic.

Apart from competitive in-store promotions, the Group strengthened its digital marketing efforts to boost brand visibility and customer traffic. Also, extra resources were directed towards paid advertising campaigns on major online platforms, including Douyin (抖音) and Xiaohongshu (小紅書), while sustaining promotional engagement on Dianping.com (大眾點評) through voucher-based offers.

As at 31 December 2025, the Group had a total of 23 restaurants (2024: 26) in the Chinese mainland. Three underperforming outlets were closed as part of ongoing portfolio optimisation and consolidation efforts.

The chilled and packaged food segment, which includes supplying both the Group's own restaurants and packaged products for end customers, continued to operate steadily. The Group has remained committed to developing new products and collaborating with external brands to introduce appealing offerings that stimulate sales. E-commerce channels continued to serve as a key sales platform for packaged and frozen food products, maintaining broad coverage across major online marketplaces such as Douyin (抖音), Tmall (天貓), JD.com (京東), and Pinduoduo (拼多多). In terms of overseas development, the Group began small-scale expansion in the Australian market, where contributions remained modest at this stage. Moving forward, the Group will pursue international expansion in a gradual and prudent manner, focusing on markets with stronger demand visibility and scalable distribution potential.

Corporate Social Responsibility

Giving back to society has long been one of Tao Heung's core corporate missions. Reflecting this commitment, the Group collaborated with The Project Futurus during the Year to develop soft meal dishes tailored for the elderly and patients with swallowing difficulties. A total of nine meal options were introduced that comply with the standard set by the International Dysphagia Diet Standardisation Initiative (IDDSI). They feature premium ingredients such as abalone and lobster, signature dishes like Shrimp Roe Pomelo Peel and Lion's Head Stewed Meatballs, as well as familiar favourites including barbeque pork and dim sum. These specially designed meals are served at the Group's premium dining outlet, "Chung's House" (鍾菜館), enabling families with elderly members to enjoy restaurant-quality cuisine together and share joyful moments during festive celebrations and family gatherings. Separately, the Group launched a series of volunteer and community support initiatives, encouraging staff participation in activities such as food distribution to underprivileged groups and providing daily necessities to those in need. Also, to promote cultural appreciation and community engagement, museum visits and interactive local programmes were organised.

In recognition of its excellence in catering quality and service, the Group received several prestigious awards during the Year. "Chung's Kitchen" (鍾廚), the Group's distinctive dining brand catering for customers who appreciate quality cuisine at sensible value, was named among Dining City's Best Restaurants. "Chung's House" was also honoured at the 2025 20th Asian King of Catering Award Ceremony and listed among the Food Guide Top 100 Like List (Hong Kong). In addition, both Tao Heung and "HAK-KA-HUT" (客家好棧) were recognised as Quality Merchants by the Hong Kong Tourism Board for the 20th consecutive year, reaffirming the Group's unwavering commitment to service excellence and quality assurance.

Financial Resources and Liquidity

As at 31 December 2025, the total assets increased by 0.3% to approximately HK\$1,880.5 million (2024: approximately HK\$1,874.5 million) while the total equity decreased by 4.4% to approximately HK\$1,103.9 million (2024: approximately HK\$1,154.2 million). As at 31 December 2025, the Group's total current assets and current liabilities were approximately HK\$473.7 million (2024: approximately HK\$520.2 million) and approximately HK\$476.9 million (2024: approximately HK\$499.3 million), respectively, while the current ratio calculated by dividing the total current assets over the total current liabilities was approximately 0.99 (2024: approximately 1.04). 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 2025, the Group had cash and cash equivalents amounted to approximately HK\$202.0 million (2024: approximately HK\$213.3 million). After deducting the total interest-bearing bank borrowings of approximately HK\$33.6 million (2024: approximately HK\$55.1 million), the Group had a net cash surplus position of approximately HK\$168.4 million (2024: approximately HK\$158.2 million). As at 31 December 2025, the Group's total interest-bearing bank borrowings were decreased to approximately HK\$33.6 million (2024: approximately HK\$55.1 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 3.0% (2024: 4.8%). 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 2025 amounted to approximately HK\$80.4 million (2024: approximately HK\$74.6 million) and the capital commitments as at 31 December 2025 amounted to approximately HK\$2.0 million (2024: approximately HK\$3.4 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 2025, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK\$25.6 million (2024: approximately HK\$31.1 million).

Foreign exchange risk management

The Group's sales and purchases for the year ended 31 December 2025 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 2025, the Group had 3,793 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 2025, there are 5,600,000 outstanding options granted under the Share Option Scheme which have not been exercised yet.

Pledge of assets

As at 31 December 2025, the Group pledged its bank deposits of approximately HK\$11.1 million (2024: approximately HK\$14.7 million), right-of-use assets of approximately HK\$44.5 million (2024: approximately HK\$45.3 million) and buildings of approximately HK\$25.8 million (2024: approximately HK\$26.9 million) and investment properties of approximately HK\$18.9 million (2024: approximately HK\$18.9 million) to secure the banking facilities granted to the Group.

Prospects

Looking ahead, the external environment is expected to remain highly competitive and continue undergoing structural changes in both Hong Kong and the Chinese mainland. Consumer preferences are increasingly shifting toward value, convenience, and experiential dining. In response, the Group will prioritise strengthening operational efficiency, enhancing brand differentiation, and maintaining financial flexibility, while pursuing growth opportunities in a prudent and disciplined manner.

In Hong Kong, the Group will continue to pursue selective expansion guided by stringent investment criteria. New outlets will be developed only where rental conditions are commercially viable and locations demonstrate sustainable demand potential. Capital allocation will remain firmly return-driven, with each project required to meet clearly defined profitability and performance targets. With labour cost pressures easing compared with previous years, the Group's operating model remains fundamentally sound. The management will therefore maintain focus on rigorous site selection, productivity enhancement, and continuous cost optimisation to safeguard margins while supporting steady and sustainable network development.

In the Chinese mainland, the Group will observe a consolidation-focused approach. Given the heightened competitive landscape and ongoing structural shifts in dining behaviour, no expansion is planned in the near term. Instead, efforts will concentrate on strengthening operational efficiency and improving the performance of the existing portfolio. Strategic priorities include enhancing digital marketing capabilities, expanding online traffic acquisition and membership engagement, and accelerating product innovation to better align with evolving consumer preferences. Continued investment in digital initiatives will further enhance brand visibility, customer retention, and sales conversion, reinforcing the competitiveness and productivity of the current network.

Looking ahead, the Group will further expand its corporate catering business to capture opportunities arising from business events and institutional demand. The management will also continue exploring adjacent product categories and strategic partnerships to diversify revenue streams and broaden customer base. Across Hong Kong and the Chinese mainland, maintaining cost discipline will remain a core priority, with focused efforts on enhancing procurement efficiency, optimising labour deployment, managing rental costs, and exercising prudent control of cash flows.

The management is well aware that many of the challenges the industry is facing are structural rather than cyclical in nature. Sustainable progress will therefore rely on adaptability, operational excellence, and disciplined capital allocation. By upholding these principles, the Group aims to reinforce its competitive position, enhance shareholder value, and promote steady long-term development. The Board remains confident that enduring demand for quality Chinese cuisine will provide a strong foundation for continued resilience and future growth.

APPRECIATION

Amid a challenging operating environment, the dedication demonstrated across the Group have been both inspiring and commendable. The progress made would not have been possible without the professionalism and perseverance of our employees, to whom I extend my sincere appreciation. I would also like to express my heartfelt gratitude to our shareholders, customers, business partners, and stakeholders for their continued trust and unwavering support. Together, we will build on this foundation and strive towards sustainable growth in the years ahead.

Chung Wai Ping

Chairman and Chief Executive Officer

Hong Kong
25 March 2026

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 2025, together with the comparative figures for the year ended 31 December 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
REVENUE	4	2,319,120	2,425,635
Cost of sales		<u>(2,167,718)</u>	<u>(2,292,565)</u>
Gross profit		151,402	133,070
Other income and gains, net	4	27,338	60,823
Selling and distribution expenses		(57,664)	(58,271)
Administrative expenses		(132,287)	(133,421)
Other expenses		(13,964)	(15,579)
Finance costs	5	(16,863)	(18,517)
Fair value loss on investment properties		–	(2,000)
Share of profits and losses of associates		<u>1,518</u>	<u>(616)</u>
LOSS BEFORE TAX	6	(40,520)	(34,511)
Income tax expense	7	<u>(18,133)</u>	<u>(11,257)</u>
LOSS FOR THE YEAR		<u>(58,653)</u>	<u>(45,768)</u>
Attributable to:			
Equity holders of the Company		(59,932)	(52,801)
Non-controlling interests		<u>1,279</u>	<u>7,033</u>
		<u>(58,653)</u>	<u>(45,768)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic (HK cents)	9	<u>(5.91)</u>	<u>(5.21)</u>
– Diluted (HK cents)	9	<u>(5.91)</u>	<u>(5.21)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
LOSS FOR THE YEAR		(58,653)	(45,768)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>10,601</u>	<u>(13,495)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(48,052)</u>	<u>(59,263)</u>
Attributable to:			
Equity holders of the Company		(50,487)	(65,703)
Non-controlling interests		<u>2,435</u>	<u>6,440</u>
		<u>(48,052)</u>	<u>(59,263)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		649,191	659,409
Right-of-use assets		512,928	452,120
Investment properties		23,100	23,100
Goodwill		36,761	36,134
Other intangible asset		–	–
Investments in associates		13,077	11,559
Deferred tax assets		117,527	125,385
Deposits and other receivables		53,424	43,010
Deposits for purchases of items of property, plant and equipment		<u>727</u>	<u>3,579</u>
Total non-current assets		<u>1,406,735</u>	<u>1,354,296</u>
CURRENT ASSETS			
Inventories		90,565	117,655
Trade receivables	<i>10</i>	53,428	45,770
Prepayments, deposits and other receivables		113,472	122,206
Tax recoverable		3,179	6,635
Pledged deposits		11,114	14,658
Cash and cash equivalents		<u>201,961</u>	<u>213,316</u>
Total current assets		<u>473,719</u>	<u>520,240</u>
CURRENT LIABILITIES			
Trade payables	<i>11</i>	120,450	89,828
Other payables and accruals		176,858	188,219
Interest-bearing bank borrowings		14,812	21,342
Lease liabilities		156,887	190,158
Tax payable		<u>7,892</u>	<u>9,732</u>
Total current liabilities		<u>476,899</u>	<u>499,279</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(3,180)</u>	<u>20,961</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,403,555</u>	<u>1,375,257</u>

	2025	2024
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables and accruals	7,909	8,679
Interest-bearing bank borrowings	18,773	33,751
Lease liabilities	249,622	158,859
Deferred tax liabilities	23,358	19,805
	<u>299,662</u>	<u>221,094</u>
Total non-current liabilities		
	299,662	221,094
Net assets	1,103,893	1,154,163
	<u>1,103,893</u>	<u>1,154,163</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	101,435	101,435
Reserves	984,980	1,035,467
	<u>1,086,415</u>	1,136,902
Non-controlling interests	17,478	17,261
	<u>17,478</u>	<u>17,261</u>
Total equity	1,103,893	1,154,163
	<u>1,103,893</u>	<u>1,154,163</u>

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as 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.

As at 31 December 2025, the Group had net current liabilities of HK\$3,180,000. The directors believe that the Group has sufficient cash flows from operations based on cash flows projection, which covered a period of not less than twelve months from 31 December 2025, and available bank facilities to meet its liabilities as and when they fall due. Therefore, the consolidated financial statements are prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year’s financial statements. The Group has not early adopted other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries and associates for translation into the Group’s presentation currency were exchangeable, the amendments did not have any impact on the Group’s financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

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 2025 and 2024 and certain non-current asset information as at 31 December 2025 and 2024 by geographic area.

(a) *Revenue from external customers*

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Hong Kong	1,620,044	1,624,316
Chinese mainland	<u>699,076</u>	<u>801,319</u>
	<u>2,319,120</u>	<u>2,425,635</u>

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

(b) *Non-current assets*

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Hong Kong	609,559	506,538
Chinese mainland	<u>626,225</u>	<u>679,363</u>
	<u>1,235,784</u>	<u>1,185,901</u>

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:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Restaurant and bakery operations	1,989,217	2,134,008
Sale of food and other items	206,860	190,744
Poultry farm operations	<u>123,043</u>	<u>100,883</u>
	<u>2,319,120</u>	<u>2,425,635</u>

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Bank interest income	2,616	6,181
Compensation received	975	17,127
Government grants	517	2,265
Gross rental income	1,996	1,321
Sponsorship income	1,142	705
Gain on termination of leases	7,712	21,423
Foreign exchange differences, net	3,242	–
Others	9,138	11,801
	<u>27,338</u>	<u>60,823</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Interest on bank loans	2,629	2,291
Interest on lease liabilities	14,234	16,226
	<u>16,863</u>	<u>18,517</u>

6. LOSS BEFORE TAX

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Cost of inventories sold	845,198	810,320
Depreciation of property, plant and equipment*	103,083	129,784
Depreciation of right-of-use assets*	188,544	197,061
Employee benefit expense* (including directors' remuneration):		
Salaries and bonuses	646,940	717,236
Retirement benefits scheme contributions (defined contribution schemes) [^]	<u>44,454</u>	<u>49,266</u>
	<u>691,394</u>	<u>766,502</u>
Lease payment not included in the measurement of lease liabilities*	8,324	6,064
Foreign exchange (gains)/losses, net	(3,242)	2,461
Auditors' remuneration	4,241	5,163
Impairment of items of property, plant and equipment, net [#]	1,773	1,898
Impairment of right-of-use assets, net [#]	7,107	8,911
Reversal of impairment of trade receivables, net [#]	(223)	(324)
Write-off of items of property, plant and equipment [#]	<u>5,307</u>	<u>2,633</u>

* The cost of sales for the year ended 31 December 2025 amounting to HK\$2,167,718,000 (2024: HK\$2,292,565,000) included depreciation of property, plant and equipment of HK\$87,543,000 (2024: HK\$119,979,000), depreciation of right-of-use assets of HK\$188,544,000 (2024: HK\$197,061,000), employee benefit expense of HK\$653,900,000 (2024: HK\$693,961,000) and lease payments not included in the measurement of lease liabilities of HK\$8,324,000 (2024: HK\$6,064,000).

[#] Included in "Other expenses" in the consolidated statement of profit or loss.

[^] There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 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 (2024: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	4,162	10,509
Overprovision in prior year	(14)	(65)
Current – Chinese mainland	680	3,448
Deferred	<u>13,305</u>	<u>(2,635)</u>
Total tax charge for the year	<u><u>18,133</u></u>	<u><u>11,257</u></u>

8. DIVIDENDS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2023 final dividend – HK3.00 cents per ordinary share	<u><u>–</u></u>	<u><u>30,430</u></u>

The Board has resolved not to propose a final dividend for the year ended 31 December 2025 (2024: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,014,348,000 (2024: 1,014,348,000) outstanding during the year.

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

The calculations of basic and diluted loss per share are based on:

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<u>(59,932)</u>	<u>(52,801)</u>
	Number of shares	
	2025	2024
Shares		
Number of ordinary shares outstanding during the year used in the basic and diluted loss per share calculation	<u>1,014,348,000</u>	<u>1,014,348,000</u>

10. TRADE RECEIVABLES

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	54,747	47,312
Impairment	<u>(1,319)</u>	<u>(1,542)</u>
Net carrying amount	<u>53,428</u>	<u>45,770</u>

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:

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	32,638	24,947
1 to 3 months	16,466	14,369
Over 3 months	<u>4,324</u>	<u>6,454</u>
	<u>53,428</u>	<u>45,770</u>

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:

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	83,046	84,572
1 to 2 months	32,530	2,165
2 to 3 months	773	350
Over 3 months	4,101	2,741
	<u>120,450</u>	<u>89,828</u>

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 2025.

Closure of Register of Members

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

From Friday, 22 May 2026 to Thursday, 28 May 2026, both days inclusive, for the purpose of ascertaining shareholders' entitlements to attend and vote at the 2025 Annual General Meeting. In order to be eligible to attend and vote at the 2025 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 Thursday, 21 May 2026. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the 2025 Annual General Meeting will be Thursday, 28 May 2026.

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

Corporate Governance

During the year ended 31 December 2025, 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 2025.

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 2025 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 2025, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 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 2025. 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 2025 Annual General Meeting of the Company will be held on Thursday, 28 May 2026. Notice of the 2025 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, 25 March 2026

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.