

# TARGET

## Intelligence Report

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### **TAO HEUNG HOLDINGS LTD: THE HONGKONG GOVERNMENT HELPED TO SAVE THIS COMPANY'S BACON**

Without the '*generosity*' of the Hongkong Government\*, in the amount of \$HK84,721,000.00, a '*Gain on termination of leases*,' amounting to \$HK19,331,000.00, as well as '*Bank interest income*,' amounting to \$HK7,998,000.00, the Net Loss Attributable to Shareholders of Tao Heung Holdings Ltd would have been increased by not less than \$HK112,050,000.00.

At Page 38 of the 2022 Annual Report of Tao Heung Holdings Ltd, under the heading, '*Consolidated Statement of Profit or Loss*,' it was stated that the Net Loss Attributable To Shareholders was \$HK143,138,000.00.

Actually, however, taking into consideration the accumulation of the above-mentioned, three gains, the Net Loss Attributable to Shareholders would have risen from \$HK143,138,000.00 to \$HK255,188,000.00.

Which would have been an historical, high Annual Loss for the Company.

\* With regard to the '*Hongkong Government's generosity*,' amounting to \$HK84,721,000.00, at Note Five to the Accounts of Tao Heung Holdings Ltd, the following explanation was presented:

*'Government grants mainly included subsidies granted by The Government of the Hong Kong Special Administrative Region under the anti-epidemic fund and various government grants received by certain subsidiaries in connection with setting up or closure of certain facilities at a poultry farm and a logistics centre. Certain grants are credited to a deferred income account and are released to the statement of profit or loss over the useful lives of the relevant facilities. There are no unfulfilled conditions or other contingencies attaching to the government grants recognised.'*

**THE BUSINESS OF  
TAO HEUNG HOLDINGS LTD**

Tao Heung Holdings Ltd (稻香控股有限公司) (Code: 573, Main Board, The Stock Exchange of Hongkong Ltd) describes its Principal Activities at Page 23 of the 2022 Annual Report in respect of the Financial Year, ended December 31:

*‘The principal activity of the Company is investment holding. The Group is principally involved in the restaurant and bakery operations, provision of food catering services, production, sale and distribution of food products and other items related to restaurant operations and poultry farm operations in Hong Kong and Mainland China ...’.*

The Company has a record of 16 Financial Years since its entire Issued and Fully Paid-Up Share Capital was listed on the premier equity market of The **Hongkong Special Administrative Region (HKSAR)** of the **People’s Republic of China (PRC)**.

The Chairman and Chief Executive Officer of the Company is Mr Chung Wai Ping (鍾偉平) who, at Page Five of the 2022 Annual Report of the Company, had this to impart to his shareholders and prospective investors:

*‘... Over the past year, the world witnessed the Russia-Ukraine war, worldwide logistics disruptions, widespread economic slowdown and the ongoing COVID pandemic. On top of such developments, Hong Kong and Mainland China had to further contend with strict social distancing measures, and for the latter, local travel restrictions, all of which directly affected consumer sentiment. Unsurprisingly, the Group continued to face stiff headwinds that directly impeded its performance. Still, with the easing of COVID restrictions and the reopening of borders by Mainland China, we believe that the worst is behind us. As the operating environment improves, we will be ready to capture opportunities that emerge from the market recovery. Already, sales from our Hong Kong operations improved significantly in the second half year, and within the first two months of 2023 have reached approximately 80% of the pre-COVID level – an upward trajectory that we will seek to build on.*

*‘With the shadow of COVID finally receding, we regard the dynamic operating environment as beneficial to the Group. As family members meet once again, Chinese restaurants will be their preferred destinations. Similarly, travellers from abroad, whether for business or leisure, will choose Chinese restaurants to experience authentic local cuisine. In addition, 2023 is a good year for marriage, according to the Chinese calendar. As there had already been pent demand for wedding venues as well as various types of banquets during the pandemic period, the new year looks encouraging. The Group has already renovated a number of restaurants in both Hong Kong and Mainland China that will be able to cater for banquets and corporate dinners. Moreover, four new restaurants were opened in 2022 in Hong Kong, with another banquet-style restaurant just opened in early 2023. Although we halted our expansion activities in Mainland China in 2022 due to COVID-related control measures, we are cautiously optimistic about expansion in 2023. In particular, we will be looking at opening new restaurants in cities that currently have a Tao Heung presence, though we will be open to tapping new cities and*

*provinces as deemed appropriate. At the same time, our management team will consider employing different brands depending on location, customer segment and preferences ...'.*

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