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LONGHUI INTERNATIONAL HOLDINGS LIMITED

龍輝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Longhui International Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	2	31,540	86,047
Foods and beverage and other materials consumables used		(11,618)	(31,530)
Employee benefit and related expenses	3	(15,533)	(34,273)
Property rentals and related expenses		(6,215)	(7,681)
Utilities expenses		(953)	(2,725)
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset		(6,443)	(17,438)
Other expenses		(5,350)	(10,143)
Other gains, net		911	5,095
Loss from operating activities	4	(13,661)	(12,648)
Finance expenses, net		(1,031)	(1,980)
Loss before tax		(14,692)	(14,628)
Income tax	5	11	(1,036)
Loss for the period		(14,681)	(15,664)
Loss attributable to:			
Owners of the Company		(14,552)	(15,541)
Non-controlling interest		(129)	(123)
		(14,681)	(15,664)
			(restated)
Loss per share	6		
— Basic		RMB(0.21)	RMB(0.27)
— Diluted		RMB(0.21)	RMB(0.27)

	Six months ended 30 June	
	2022	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(14,681)	(15,664)
Other comprehensive income, net of income tax		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>(1,204)</u>	<u>203</u>
Total comprehensive loss for the period	<u>(15,885)</u>	<u>(15,461)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(15,756)	(15,338)
Non-controlling interest	<u>(129)</u>	<u>(123)</u>
	<u>(15,885)</u>	<u>(15,461)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment		283	2,898
Right-of-use assets	8	9,733	13,874
Prepayments, deposits and other receivables	10	6,889	6,889
Deferred tax assets		24,327	24,333
		<u>41,232</u>	<u>47,994</u>
Current assets			
Inventories		11,591	12,658
Trade receivables	9	1,034	2,883
Prepayments, deposits and other receivables	10	18,233	24,792
Cash and cash equivalents		1,945	2,196
		<u>32,803</u>	<u>42,529</u>
Total assets		<u>74,035</u>	<u>90,523</u>
Capital and reserves			
Share capital	11	236	230
Reserves		(151,455)	(137,274)
Equity attributable to owners of the Company		(151,219)	(137,044)
Non-controlling interest		(1,766)	(1,637)
Total equity		<u>(152,985)</u>	<u>(138,681)</u>

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	8	9,625	15,198
Convertible bonds		3,463	3,178
Deferred tax liabilities		26	75
		<u>13,114</u>	<u>18,451</u>
Current liabilities			
Trade payables	12	25,833	29,551
Other payables and accruals	12	132,671	114,600
Contract liabilities		42,505	45,365
Lease liabilities	8	11,697	14,755
Borrowing		1,200	4,800
Income tax payables		—	1,682
		<u>213,906</u>	<u>210,753</u>
Total liabilities		<u>227,020</u>	<u>229,204</u>
Total equity and liabilities		<u>74,035</u>	<u>90,523</u>
Net current liabilities		<u>(181,103)</u>	<u>(168,224)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION AND APPLICATION OF AMENDMENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board (the “**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Group.

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand (RMB’000) except otherwise indicated. RMB is the Company’s presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars (“**HKS**”). The Directors consider the choosing of RMB as the presentation currency best suits the needs of the shareholders and investors.

The Group reported a consolidated net loss of approximately RMB14,681,000 for the current period and net current liabilities of approximately RMB181,103,000 as at 30 June 2022. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern. The Directors have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

- (i) the substantial shareholders of the Company have given their consent to provide continuous financial support to the Group to enable the Group to meet its obligations when due;
- (ii) negotiating with banks and other financial institution for new banking facilities;
- (iii) management has been endeavoring to improve the Group’s operating results and cash flows through various cost control measures and will slow down the opening of new restaurants or will close under performing restaurants in the future;

Consequently, the unaudited condensed consolidated financial statements have been prepared on a going concern basis. The condensed consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”) the accounting policies, methods of computation and presentation used in the preparation of the interim condensed consolidated financial statements are consistent with those described in the 2021 annual consolidated financial statements except for those noted below.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for annual period beginning on or after 1 January 2022, for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

(A) Segment information

	Six months ended 30 June 2022 (Unaudited)							Unallocated	Total
	Shanghai	Faigo	Subtotal	Shanghai	Xiao Faigo	Hotpot	Subtotal		
	RMB'000	Others	RMB'000	RMB'000	Wuxi	Others	RMB'000		
Revenue	19,333	816	20,149	8,275	1,712	1,404	11,391	—	31,540
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible asset	3,113	218	3,331	2,483	189	7	2,679	433	6,443
Operating (loss)/profit	(5,097)	(361)	(5,458)	(5,178)	(694)	60	(5,812)	(2,392)	(13,662)
Loss before income tax	(5,353)	(363)	(5,716)	(5,774)	(694)	22	(6,446)	(2,531)	(14,693)
	Six months ended 30 June 2021 (Unaudited)							Unallocated	Total
	Shanghai	Faigo	Subtotal	Shanghai	Xiao Faigo	Hotpot	Subtotal		
	RMB'000	Others	RMB'000	RMB'000	Wuxi	Others	RMB'000		
Revenue	41,941	1,097	43,038	32,836	4,140	6,033	43,009	—	86,047
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible asset	(6,117)	(256)	(6,373)	(8,393)	(1,065)	(1,552)	(11,010)	(55)	(17,438)
Operating profit/(loss)	563	(411)	152	(4,247)	(626)	(260)	(5,133)	(7,667)	(12,648)
Loss before income tax	(79)	(485)	(564)	(5,256)	(636)	(378)	(6,270)	(7,794)	(14,628)

(B) Geographical information

The Group's revenue from external customers by location of sales and information about its non-current assets by location of assets are detailed as below:

	Revenue from external customers Six months ended 30 June		Non-current assets	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
The People's Republic of China	<u>31,540</u>	<u>86,047</u>	<u>41,232</u>	<u>47,994</u>

(C) Information about major customers

The Group are primarily engaged in the operation of a hotpot restaurant chain.

The Group's customer base is diversified. No individual customer (six months ended 30 June 2021: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2022.

(D) Disaggregation of revenue

Revenue represents the sales value of goods supplied to customers (net of value-added tax, other sales tax and discounts). Disaggregation of revenue from contracts with customers by major product lines is as follows:

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major product lines		
— Hotpot business	<u>31,540</u>	<u>86,047</u>

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

3. EMPLOYEE BENEFIT AND RELATED EXPENSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Wages and salaries	3,342	5,909
Defined contribution plan (<i>note a</i>)	902	1,242
Other social security costs and housing benefits	268	204
Other employee benefits	431	1,585
Labour outsourcing expenses (<i>note b</i>)	10,590	25,333
	<u>15,533</u>	<u>34,273</u>

Notes:

- (a) Employees of the Group established in the People's Republic of China (the "PRC") are required to participate in a retirement benefit scheme administered and operated by the PRC government. The Group is required to contribute 14.0% to 22.5% of payroll costs as determined by respective local government authorities to the designated pension fund. The only obligation of the Group with respect to retirement benefit scheme is to make the specific contributions under the scheme.
- (b) The Group entered into certain human resources agency agreements. Pursuant to these agreements, the Group outsourced a portion of its low level positions, such as waiter or waitress, kitchen assistants etc.

4. LOSS FROM OPERATING ACTIVITIES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss from operating activities has been arrived at after charging/(crediting):		
Amortisation of intangible asset	—	4
Depreciation of property, plant and equipment	2,302	3,254
Depreciation of right-of-use assets	4,141	14,180
Short-term lease payment	181	71
Low-value asset lease payment	167	233
Gain on lease modification ¹	—	(1,589)
Loss on disposal of property, plant and equipment ¹	—	772
Reversal of allowance for expected credit loss on trade and other receivables	(88)	(506)
Cleaning fee ²	391	570
Transportation expenses ²	237	460
Promotion and marketing expenses ²	319	533
Travelling expenses ²	51	140
Repair and maintenance fee ²	337	632
Professional service expenses ²	872	4,597
	<u>872</u>	<u>4,597</u>

¹ These items were grouped under other gains, net.

² These items were grouped under other expenses.

5. INCOME TAX

The income tax of the Group for the periods are analysed as follows:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income tax		
— Current tax	(6)	—
Deferred tax	17	(1,036)
	<u>11</u>	<u>(1,036)</u>
Income tax	<u>11</u>	<u>(1,036)</u>

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(14,681)</u>	<u>(15,541)</u>

Number of shares:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited) (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>69,887,780</u>	<u>56,733,046</u>

The weighted average number of ordinary shares of 69,887,780 (six months ended 30 June 2021: Restated as 56,733,046) in issue during the period, as adjusted to reflect the effect of the share consolidation as disclosed in Note 11. Comparative figures have also been adjusted on the assumption that the share consolidation and the rights issue had been effective in the prior year.

For the six months ended 30 June 2022 and 2021, the computation of diluted loss per share does not assume that the conversion of the outstanding convertible bonds since their conversion would result in a decrease in loss per share.

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: nil).

8. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Right-of-use assets:		
Shops	5,281	7,083
Offices	<u>4,452</u>	<u>6,791</u>
	<u>9,733</u>	<u>13,874</u>
	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Lease liabilities payables:		
— Within one year	11,697	14,755
— More than one year but not more than two years	7,900	10,632
— More than two years but less than five years	<u>1,725</u>	<u>4,566</u>
	<u>21,322</u>	<u>29,953</u>

The Group obtains right to control the use of various shops, offices and warehouses for a period of time through lease arrangements. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the six months ended 30 June 2022, total cash outflow for leases of approximately RMB9,801,000 (six months ended 30 June 2021: RMB15,826,000) was included in net cash used in financing activities.

9. TRADE RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	3,204	5,090
Less: Allowance for expected credit loss	<u>(2,170)</u>	<u>(2,207)</u>
	<u><u>1,034</u></u>	<u><u>2,883</u></u>

As at 30 June 2022 and 31 December 2021, the fair values of the trade receivables of the Group approximated their carrying amounts.

- (a) The aging analysis of trade receivables, based on the invoice date and net of allowance for expected credit loss, were as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
0–30 days	943	2,490
31–90 days	1	1
91–180 days	77	386
181–360 days	<u>13</u>	<u>6</u>
	<u><u>1,034</u></u>	<u><u>2,883</u></u>

The Directors consider trade receivables mainly derived from sales through shopping malls or bills settled with credit cards, WeChat or Alipay, which are generally collectible within 1 month from sales date and no past due history.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Included in non-current assets:		
Rental deposits		
— non-current portion	<u>6,889</u>	<u>6,889</u>
Included in current assets:		
Rental deposits		
— current portion	562	2,608
Rental and utilities prepayments	853	584
Raw materials procurement prepayments	—	1,437
Value added tax inputs	16,312	19,937
Staff advances	649	420
Other receivables and prepayments due from related parties	187	187
Others	11	11
Less: Allowance for expected credit loss	<u>(341)</u>	<u>(392)</u>
	<u>18,233</u>	<u>24,792</u>

11. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount in HK\$'000	Amount in RMB'000
Authorised			
As at 1 January 2021 (Audited), ordinary shares of HK\$0.00002 each	19,000,000,000	380	306
Share consolidation (<i>Note a</i>)	<u>(18,050,000,000)</u>	<u>—</u>	<u>—</u>
As at 31 December 2021 and 1 January 2022 (Audited), ordinary shares at HK\$0.0004 each	950,000,000	380	306
Share consolidation (<i>Note e</i>)	(855,000,000)	—	—
Additional authorised share capital of HK\$0.004 (<i>Note e</i>)	<u>405,000,000</u>	<u>1,620</u>	<u>1,383</u>
As at 30 June 2022 (Unaudited), ordinary shares at HK\$0.004 each	<u>500,000,000</u>	<u>2,000</u>	<u>1,689</u>

	Number of shares	Amount in HK\$'000	Amount in RMB'000
Issued and fully paid			
As at 1 January 2021 (Audited), ordinary shares of HK\$0.00002 each	6,373,602,437	128	109
Share consolidation (<i>Note a</i>)	(6,054,922,316)	—	—
Issue of share upon rights issue (<i>Note b</i>)	318,680,121	127	106
Exercise of share option under share option scheme (<i>Note c</i>)	<u>44,615,200</u>	<u>18</u>	<u>15</u>
As at 31 December 2021 and 1 January 2022 (Audited), ordinary shares at HK\$0.0004 each	681,975,442	273	230
Exercise of share option under share option scheme (<i>Note d</i>)	19,120,800	7	6
Share consolidation (<i>Note e</i>)	<u>(630,986,618)</u>	<u>—</u>	<u>—</u>
As at 30 June 2022 (Unaudited), ordinary shares at HK\$0.004 each	<u><u>70,109,624</u></u>	<u><u>280</u></u>	<u><u>236</u></u>

Notes:

- (a) Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 12 January 2021, every twenty issued and unissued shares of HK\$0.00002 each were consolidated into one consolidated share of the Company of HK\$0.0004 each with effect on 14 January 2021.
- (b) On 22 February 2021, the Company completed a rights issue (the “**Rights Issue**”) on the basis of one rights share for every one share held on 26 January 2021 at the subscription price of HK\$0.142 per rights share and allotted and issued 318,680,121 shares. Gross Rights Issue proceeds of HK\$45,253,000 of which HK\$127,000 was credited against share capital and the remaining proceeds of HK\$44,250,000 after offsetting the share issuance costs of HK\$876,000 were credited against the share premium account.
- (c) On 6 September 2021, 44,615,200 ordinary shares were issued in relation to exercise of the share options (the “**Share Options**”) under the share option scheme (the “**Scheme**”) approved and adopted by the Company on 2 June 2021.
- (d) On 21 January 2022, 19,120,800 ordinary shares were issued in relation to exercise of the Share Options.
- (e) Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 28 June 2022, i) every ten issued and unissued shares of HK\$0.0004 each were consolidated into one consolidated share of the Company of HK\$0.004 each; and ii) increase in authorised share capital of the Company from HK\$380,000 divided into 95,000,000 consolidated shares to HK\$2,000,000 divided into 500,000,000 consolidated shares by the creation of an additional 405,000,000 new consolidated shares, the changes effect on 30 June 2022.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables	25,833	29,551
Other payables	79,860	62,474
Staff costs and welfare accruals	<u>52,811</u>	<u>52,126</u>
	<u>158,504</u>	<u>144,151</u>

As at 30 June 2022 and 31 December 2021, the aging analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0–30 days	535	4,893
31–90 days	221	5,489
91–180 days	8,554	8,444
181–360 days	14,568	5,580
Over 1 year	<u>1,955</u>	<u>5,145</u>
	<u>25,833</u>	<u>29,551</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

The Group is principally engaged in the hotpot restaurant business in the PRC with the brands of Faigo (“輝哥”) and Xiao Faigo Hotpot (“小輝哥火鍋”). The target customers of the restaurants operating under the brand of Faigo (“輝哥”) are mainly high-income group while under the brand of Xiao Faigo Hotpot (“小輝哥火鍋”) are mainly middle-income group.

Revenue

For the six months ended 30 June 2022 (the “**Period**”), the Group’s revenue decreased by approximately 63.4% to approximately RMB31.5 million from approximately RMB86.0 million in the last corresponding period. The decrease was mainly due to the suspension of business operation or dine-in services of certain restaurants and the decrease of customer flow resulted from the impact of novel coronavirus (the “**COVID-19**”) pandemic from March to May 2022 and the closure of 2 underperformed restaurant. The number of restaurants dropped to 15 during the Period (six months ended 30 June 2021: 21).

Foods and beverage and other materials consumables used

The Group’s foods and beverage and other materials consumables costs mainly represent the costs of food ingredients for the hotpot business, and were the largest component of the Group’s operating expenses. The foods and beverage and other materials consumables costs decreased by approximately 63.2% to approximately RMB11.6 million for the six months ended 30 June 2022 from approximately RMB31.5 million in the last corresponding period.

Employee benefit and related expenses

The Group’s employee benefit and related expenses, being one of the largest components of the operating expenses of the Group, consist of wages and salaries, labour outsourcing expenses, defined contribution plan, other social security costs and housing benefits and other employee benefits.

The employee benefit and related expenses decreased by approximately 54.8% to approximately RMB15.5 million for the six months ended 30 June 2022 from approximately RMB34.3 million in the last corresponding period, mainly attributable to the closure of several restaurants. A portion of outsourcing staff were laid-off therefore labour outsourcing expenses decreased by approximately 58.1% to approximately RMB10.6 million for the six months ended 30 June 2022 from approximately RMB25.3 million in the last corresponding period.

The Group entered into an agreement with a third party agent who provides catering outsourcing services. Pursuant to the agreement, the Group outsources a portion of its low-level positions, such as waiter or waitress, kitchen assistants etc. The Group pays annual service fee and other related cost, such as training and social welfare.

Property rentals and related expenses

Following the closure of those underperformed restaurants, the Group's property rentals and related expenses decreased by approximately 19.5% to approximately RMB6.2 million for the six months ended 30 June 2022 from approximately RMB7.7 million in the last corresponding period.

Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset

Following the closure of those underperformed restaurants during the Period, the Group's depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset decreased by approximately 63.2% accordingly to approximately RMB6.4 million for the six months ended 30 June 2022 from approximately RMB17.4 million in the last corresponding period.

Other expenses

The Group's other expenses, which mainly consist of professional services fees; repair and maintenance; and promotion and marketing expenses, decreased by approximately 46.5% to approximately RMB5.4 million for the six months ended 30 June 2022 from approximately RMB10.1 million in the last corresponding period. The decrease was mainly attributable to the decrease in repair and maintenance fee resulted from closure of restaurants.

Other gains, net

The Group's other gains, net decreased by approximately 82.4% to approximately RMB0.9 million for the six months ended 30 June 2022 from approximately RMB5.1 million in the last corresponding period, which was mainly attributable to the decrease in both of gain on rental concession and gain on lease modification following the closure of those underperformed restaurants.

Finance expenses, net

The Group's finance expenses mainly represent interest expense on borrowings and lease liabilities and imputed interest on convertible bonds. The Group's net finance expenses decreased by approximately 50.0% to approximately RMB1.0 million for the six months ended 30 June 2022 from approximately RMB2.0 million in the last corresponding period. The decrease was mainly attributable to the decrease in interest expense on lease liabilities following the closure of restaurants.

Loss for the period

Loss for the period attributable to owners of the Company decreased by approximately 5.8% to approximately RMB14.6 million (six months ended 30 June 2021: approximately RMB15.5 million). Basic loss per share for the Period was approximately RMB0.21 (six months ended 30 June 2021: approximately RMB0.27 (restated)). The decrease in loss for the period was mainly attributable to the suspension of business operation or dine-in services resulted from the impact of COVID-19 pandemic from March to May 2022.

PROSPECTS

The Group plans to open more restaurants in order to expand and develop the business of the Group in the coming financial years as intended. However, due to the uncertainty over the impact of the COVID-19 outbreak, it is prudent for the Board to slow down the planned expansion. The Group will continue to closely monitor the operating performance of the existing restaurants and take appropriate actions to strive the returns of the Group.

The operation of a new branded restaurant “混” was suspended due to the outbreak of COVID-19 pandemic in the PRC in the first half of 2022. The hotpot restaurant was renovated in a more fashionable style with alcohol and beverage serving after dining hours in order to attract more customer traffic. The Group expects the operation will return to normal steadily along with the recovery of the economy environment after COVID-19 pandemic.

Targeting the High-End Segment

Hotpot restaurants offering meat as their major food ingredient have a lower customer's average spending compared with those serving seafood. Therefore, more hotpot restaurants begin to offer more diversified food materials to target different customer segments. Seafood has been introduced in hotpot restaurants recently, which will attract more customers from the high-end segment. The Group will continue to target more high-end food ingredients as additional drive for the growth of revenue of our restaurants. The new restaurant under the brand of “HUN” also targets high-end customers who pursue good quality of food materials and drinks.

Inclusive of New Food Ingredients and Flavors

New food ingredients will be added to hotpot dining. As hotpot is more inclusive than other styles of cooking, new food ingredients can be easily introduced to hotpot dining. Hotpot restaurants are more willing to stay appealing to customers by offering new food ingredients in their menus rather than stick to their own understanding of hotpot stereotype.

Growth of Delivery Business

Delivery food service is growing fast in the PRC. The Group will continue to strengthen our competitiveness in the delivery segment to fully utilize the business hours of rush hours in a day such as lunch and dinner time to improve our revenue density. The Group will closely cooperate with online ordering and delivery platforms to promote the delivery business, especially during the COVID-19 pandemic.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2022, the Group recorded cash and bank balances amounting to approximately RMB1.9 million (31 December 2021: approximately RMB2.2 million) and the net current liabilities value was approximately RMB181.1 million (31 December 2021: approximately RMB168.2 million).

The net liabilities value per share of the Company was approximately RMB2.19 as at 30 June 2022 (31 December 2021: approximately RMB2.25 (restated)). The net liabilities value per share was computed based on 69,887,780 and 61,714,820 (restated) weighted average number of ordinary shares as at 30 June 2022 and 31 December 2021 respectively.

The Group's gearing ratio as at 30 June 2022 was approximately 0.06 (31 December 2021: approximately 0.09), being a ratio of total debts, including borrowing and convertible bonds, of approximately RMB4.7 million (31 December 2021: approximately RMB8.0 million) to the total assets of approximately RMB74.0 million (31 December 2021: approximately RMB90.5 million).

USE OF PROCEEDS FROM RIGHTS ISSUE

The Company completed the Rights Issue on 22 February 2021, pursuant to which the Company has issued an aggregate of 318,680,121 ordinary Shares of HK\$0.0004 each as rights shares at HK\$0.142 per rights share on the basis of one rights share for every one Share held on 26 January 2021. The net proceeds from the Rights Issue (after deducting the expenses) were approximately HK\$43.25 million. The net subscription price per rights share after deducting the related expenses of the Rights Issue was approximately HK\$0.136. Further details were set out in the Company's announcements dated 27 October 2020, 17 November 2020, 8 December 2020, 12 January 2021 and 19 February 2021, the Company's circular dated 24 December 2020 and the Company's prospectus dated 27 January 2021.

The intended and actual use of the net proceeds from the Rights Issue is stated as below:

	Intended use of the net proceeds <i>(HK\$ million)</i>	Amount of the net proceeds utilised as at 30 June 2022 <i>(HK\$ million)</i>	Balance of the net proceeds unutilised as at 30 June 2022 <i>(HK\$ million)</i>
Repayment of the existing indebtedness of the Group from independent third parties	25.88	25.88	—
Repayment of bank loan	3.75	3.75	—
General working capital of the Group, including the rental payment of the Group's restaurants located in the PRC, staff costs and settlement of the Group's day-to-day operating expenses	13.62	13.62	—
Total	<u>43.25</u>	<u>43.25</u>	<u>—</u>

PLEDGE OF ASSETS

As at 30 June 2022, the Company had no charges on its assets (31 December 2021: Nil).

CAPITAL STRUCTURE

On 21 January 2022, the Company allotted and issued 19,120,800 shares of the Company (the "Shares") pursuant to the exercise of the Share Options.

On 30 June 2022, the Company implemented the share consolidation on the basis that every ten issued and unissued Shares of HK\$0.0004 each were consolidated into one consolidated share of the Company of HK\$0.004 each.

On 30 June 2022, the Company implemented the increase in authorised share capital of the Company from HK\$380,000 divided into 95,000,000 consolidated shares to HK\$2,000,000 divided into 500,000,000 consolidated shares by the creation of an additional 405,000,000 new consolidated shares.

Save as disclosed, the Company had no changes in capital structure during the six months ended 30 June 2022.

CONVERTIBLE BONDS

Upon the effective of the share consolidation on 14 January 2021 (the “**Share Consolidation 2021**”), pursuant to the terms and conditions of the convertible bonds (the “**Convertible Bonds**”) issued by the Company on 4 July 2018, the conversion price of the Convertible Bonds and the number of Shares falling to be allotted and issued upon conversion of the Convertible Bonds shall be adjusted as follows:

	Immediately before the effective of the Share Consolidation 2021		Immediately after the effective of the Share Consolidation 2021	
	Conversion price per Share	Number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Adjusted conversion price per Share	Adjusted number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds
Convertible Bonds				
Convertible Bonds in the amount of HK\$4,414,937	<u>HK\$0.1025</u>	<u>43,072,563</u>	<u>HK\$2.05</u>	<u>2,153,628</u>

Upon the completion of the Rights Issue on 22 February 2021, pursuant to the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds and the number of Shares falling to be allotted and issued upon conversion of the Convertible Bonds shall be adjusted as follows:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Conversion price per Share	Number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Adjusted conversion price per Share	Adjusted number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds
Convertible Bonds				
Convertible Bonds in the amount of HK\$4,414,937	<u>HK\$2.05</u>	<u>2,153,628</u>	<u>HK\$1.75</u>	<u>2,522,821</u>

Upon the share consolidation becoming effective and pursuant to the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds and the number of Shares falling to be allotted and issued upon conversion of the Convertible Bonds shall be adjusted with effective on 29 June 2022 (the “**Share Consolidation Adjustment 2022**”) as follows:

	Immediately before the Share Consolidation Adjustment 2022		Immediately after the Share Consolidation Adjustment 2022	
	Conversion price per Share	Number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Adjusted conversion price per Share	Adjusted number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds
Convertible Bonds				
Convertible Bonds in the amount of HK\$4,414,937	<u>HK\$1.75</u>	<u>2,522,821</u>	<u>HK\$17.50</u>	<u>252,282</u>

INVESTMENT POSITION AND PLANNING

Save as disclosed, there was no material acquisition or disposal of subsidiary and associated company or significant investments for the six months ended 30 June 2022.

CONNECTED TRANSACTIONS

Save as disclosed, for the six months ended 30 June 2022, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Allotment and issue of 28,000,000 new shares under specific mandate

On 15 August 2022, the Company completed a placing by the allotment and issue of 28,000,000 Shares at the placing price of HK\$0.65 per placing share. The gross proceeds from the share placing was HK\$18.2 million and the net proceeds after deducting relevant expenses was approximately HK\$17.64 million.

Details were set out in the Company’s announcements dated 20 May 2022 and 15 August 2022 and the Company’s circular dated 13 June 2022.

FOREIGN CURRENCY RISK

Most of the Group's business transactions, assets and liabilities are denominated in Renminbi and settled in Renminbi, which is the functional currency of respective group companies. The Group's exposure to currency risk is minimal. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2022 was 346 (31 December 2021: 429). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

CONTINGENT LIABILITIES

The Company acquired the entire equity interest in the Longhui International Catering Management Holdings Limited (the "**Accounting Acquirer**") on 4 July 2018 (the "**Acquisition Date**") was accounted for in the consolidated financial statements as reverse acquisition of the Company by the Accounting Acquirer (the "**Reverse Acquisition**"). The Group recognised deemed listing expenses of approximately RMB399,670,000 upon the application of the Reverse Acquisition on the Acquisition Date ("**Deemed Listing Expenses**").

On the Acquisition Date, the Group applied the Reverse Acquisition method of accounting and recognised the identifiable assets and liabilities of the Company as at that date, including the recorded accrued expenses and other payables of approximately RMB37,578,000 as disclosed in Note 32 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2019.

These recorded accrued expenses and other payables do not include any of the unknown liabilities of the Company brought forward from 1 January 2018, which included the amount due to a deconsolidated subsidiary of approximately RMB882,000 (equivalent to approximately HK\$1,028,000) and unknown other payables of approximately RMB15,182,000 (equivalent to approximately HK\$17,694,000) (collectively, the “**Unknown Liabilities**”).

The Company had used its best effort to identify the nature of the Unknown Liabilities including publishing a public notice which invited any potential creditors to inform the Company of any debts or claims.

With the legal advice provided to the Company, according to Section 4(1)(a) of the Limitation Ordinance (Laws of Hong Kong Chapter 347) provides that actions founded on simple contract shall not be brought after the expiration of 6 years from the date on which the course of action accrued whereas s.4(3) states that an action upon a specialty shall not be brought after the expiration of 12 years from the date on which the cause of action accrued.

The Directors considered that the origin of the Unknown Liabilities is unlikely to be created under a deed and among other reasons, given actions founded on simple contract shall not be brought after 6 years from the date on which the cause of actions accrued pursuant to the Limitation Ordinance (Laws of Hong Kong Chapter 347), any potential creditors would be statutorily barred from taking action against another person 6 years after the date when the liabilities were due, unless such liabilities was created under deed, in which case, the limitation period shall be 12 years from the date of the liabilities were due. As the Unknown Liabilities were incurred during the year ended 31 December 2012 and 2013, if the amount was created under simple contract, the payment obligation is expired as at 31 December 2019, if the liabilities was created under deed, the payment obligations will be expire as at 31 December 2025.

Besides, the Company had entered into a debt assignment agreement with Global Courage Limited (“**Global Courage**”), pursuant to which Global Courage agrees to undertake all outstanding Unknown Liabilities.

Subject to the above matters, the possibility of outflow of economic resources in the settlement of Unknown Liabilities by the Group is not probable.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as follows:

Name of Director	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company (Note 2)
Mr. Hung Shui Chak	Interest of controlled corporation	48,668,462 (L) (Note 1)	—	48,668,462 (L)	69.42%
Mr. So Kam Chuen	Beneficial owner	860,934 (L)	87,299 (L)	948,233 (L)	1.35%
Mr. Yuan Mingjie	Beneficial owner	691,360 (L)	—	691,360 (L)	0.99%

(L): Long position

Notes:

1. These 48,668,462 shares were held by Shui Chak Group Limited. Shui Chak Group Limited was wholly-owned by Mr. Hung. Thus, Mr. Hung was deemed to be interested in the 48,668,462 shares held by Shui Chak Group Limited pursuant to the SFO.
2. The percentage is calculated on the basis of 70,109,624 shares of the Company in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2022 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (with the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the following persons or corporations (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Name of shareholder	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company (Note 2)
Shui Chak Group Limited	Beneficial owner	48,668,462 (L) (Note 1)	—	48,668,462 (L)	69.42%

(L): Long position

Notes:

1. These 48,668,462 shares were held by Shui Chak Group Limited. Shui Chak Group Limited was wholly-owned by Mr. Hung. Thus, Mr. Hung was deemed to be interested in the 48,668,462 shares held by Shui Chak Group Limited pursuant to the SFO.
2. The percentage is calculated on the basis of 70,109,624 shares of the Company in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any person or company, other than Directors or chief executives of the Company whose interest are set out in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" in this announcement, who had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be

disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

SHARE OPTION SCHEME

The Company operates the Scheme approved and adopted by the shareholders of the Company (the "Shareholders") at an annual general meeting held on 2 June 2021. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of 10 years from the date of its adoption. Apart from the Scheme, the Company has no other share option scheme currently in force.

During the Period for the six months ended 30 June 2022, a total of 19,120,800 Share Options were exercised. Save and except for the aforesaid, no Share Option was granted, exercised, cancelled, expired or lapsed during the period. The total number of shares available for issue by the Company under the Scheme was 7,010,962 shares, which represents approximately 10% of the Company's issued shares as at 30 June 2022.

Details of the movements of the Share Options under the Scheme during the period were as follows:

Grantees/Capacity	Number of Share Options					Date of grant	Exercise period	Price of the shares before the date of grant	
	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2022			grant (Note 2) Per share	Exercise price (Note 1) Per share
Employees of the Group	19,120,800	—	19,120,800 (Note 3)	—	—	19/10/2021	19/10/2021 to 18/10/2031	0.1010	0.1014
	<u>19,120,800</u>	<u>—</u>	<u>19,120,800</u>	<u>—</u>	<u>—</u>				

Notes:

- The exercise price of the Share Options is subject to adjustment in the case of capitalisation issue, rights issue, subdivision or consolidation of the shares of the Company, or other similar changes in the Company's share capital.

2. The price of the shares of the Company before the date of the grant of the Share Options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the Share Options were granted.
3. The weighted average closing price of the Shares immediately before the Share Options were exercised is HK\$0.1190 per share.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. Thus, the Company adopted the principles and all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its code on corporate governance (the “**CG Code**”).

During the six months ended 30 June 2022, the Company has complied with all the code provisions set out in the CG Code except for the deviation from the code provision which is explained below:

Code Provision C.2.1

The role of the chairman of the Board is performed by Mr. Hung Shui Chak who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the chairman in Mr. Hung provides the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

Although the appointment of the chief executive officer of the Company remains outstanding, the overall management of the Company is performed by the executive Directors and the senior management of the Group whom have extensive experience in the business of the Group. Their respective areas of profession spearhead the Group’s overall development and business strategies.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct for the Directors and the relevant employees who are likely to processes inside information of the Group in their dealings in the securities of the Company (the “**Required Standard of Dealings**”). All Directors have confirmed, following the specific enquiry by the Company, that they complied with the Required Standard of Dealings throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee was established on 10 October 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision D.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Cheung Ting Pong (being the chairman of the Audit Committee), Mr. Tam Bing Chung Benson and Mr. Shum Kei Yiu Daniel.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (<http://www.cre8ir.com/longhui/>). The interim report of the Company will be despatched to the Shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
Longhui International Holdings Limited
Hung Shui Chak
Chairman and Executive Director

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Hung Shui Chak, Mr. So Kam Chuen and Mr. Yuan Mingjie; and three independent non-executive Directors, namely Mr. Tam Bing Chung Benson, Mr. Cheung Ting Pong and Mr. Shum Kei Yiu Daniel.