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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 2021**

#### **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 2021, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	2	<b>86,047</b>	77,318
Foods and beverage and other materials consumables used		<b>(31,530)</b>	(34,697)
Employee benefit and related expenses	3	<b>(34,273)</b>	(35,454)
Property rentals and related expenses		<b>(7,681)</b>	(11,939)
Utilities expenses		<b>(2,725)</b>	(3,993)
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset		<b>(17,438)</b>	(41,919)
Other expenses		<b>(10,143)</b>	(11,498)
Other gains, net		<b>5,095</b>	13,758
<b>Loss from operating activities</b>	4	<b>(12,648)</b>	(48,424)
Finance expenses, net		<b>(1,980)</b>	(3,973)
<b>Loss before tax</b>		<b>(14,628)</b>	(52,397)
Income tax expense	5	<b>(1,036)</b>	(377)
<b>Loss for the period</b>		<b>(15,664)</b>	(52,774)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(15,541)</b>	(52,465)
Non-controlling interest		<b>(123)</b>	(309)
		<b>(15,664)</b>	(52,774)
			(restated)
<b>Loss per share</b>	6		
— Basic		<b>RMB(0.03)</b>	RMB(0.16)
— Diluted		<b>RMB(0.03)</b>	RMB(0.16)

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period</b>	<b>(15,664)</b>	<b>(52,774)</b>
Other comprehensive income, net of income tax <i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>203</u>	<u>353</u>
<b>Total comprehensive loss for the period</b>	<b><u>(15,461)</u></b>	<b><u>(52,421)</u></b>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	<b>(15,338)</b>	<b>(52,112)</b>
Non-controlling interest	<u>(123)</u>	<u>(309)</u>
	<b><u>(15,461)</u></b>	<b><u>(52,421)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

		As at <b>30 June 2021</b>	As at 31 December 2020
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>19,169</b>	22,879
Right-of-use assets	7	<b>32,927</b>	48,778
Intangible asset		—	4
Prepayments, deposits and other receivables	9	<b>9,974</b>	10,494
Deferred tax assets		<b>24,333</b>	25,389
		<u><b>86,403</b></u>	<u>107,544</u>
<b>Current assets</b>			
Inventories		<b>13,658</b>	14,086
Trade receivables	8	<b>1,212</b>	2,269
Prepayments, deposits and other receivables	9	<b>37,972</b>	34,395
Cash and cash equivalents		<b>5,137</b>	3,177
		<u><b>57,979</b></u>	<u>53,927</u>
<b>Total assets</b>		<u><b>144,382</b></u>	<u>161,471</u>
<b>Capital and reserves</b>			
Share capital	10	<b>215</b>	109
Reserves		<b>(126,238)</b>	(147,837)
		<u><b>(126,023)</b></u>	<u>(147,728)</u>
<b>Non-controlling interest</b>		<u><b>(1,469)</b></u>	<u>(1,346)</u>
<b>Total equity</b>		<u><b>(127,492)</b></u>	<u>(149,074)</u>

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	7	30,903	49,186
Convertible bonds		3,100	3,001
Deferred tax liabilities		94	116
		<u>34,097</u>	<u>52,303</u>
<b>Current liabilities</b>			
Trade payables	11	35,391	44,366
Other payables and accruals	11	131,582	145,235
Contract liabilities		49,609	47,822
Income tax payables		843	843
Borrowing		3,000	3,000
Lease liabilities	7	17,352	16,976
		<u>237,777</u>	<u>258,242</u>
<b>Total liabilities</b>		<u><u>271,874</u></u>	<u><u>310,545</u></u>
<b>Total equity and liabilities</b>		<u><u>144,382</u></u>	<u><u>161,471</u></u>
<b>Net current liabilities</b>		<u><u>(179,798)</u></u>	<u><u>(204,315)</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

### 1. BASIS OF PREPARATION AND APPLICATION OF AMENDMENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

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 2021 comprise the Company and its subsidiaries.

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 (“HK\$”). 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 RMB15,664,000 for the current period and net current liabilities of approximately RMB179,798,000 as at 30 June 2021. These circumstances may cast significant doubt on the Group’s ability to continue as a going concern. The directors of the Company 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 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 2020 annual consolidated financial statements except for those noted in 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 2021, for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 “*Interest Rate Benchmark Reform — Phase 2*”

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 2021 (Unaudited)											
	Faigo				Xiao Faigo Hotpot						Unallocated	Total
	Shanghai	Beijing	Others	Subtotal	Shanghai	Beijing	Wuxi	Nanjing	Others	Subtotal		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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/(losses)	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)

  

	Six months ended 30 June 2020 (Unaudited)											
	Faigo				Xiao Faigo Hotpot						Unallocated	Total
	Shanghai	Beijing	Others	Subtotal	Shanghai	Beijing	Wuxi	Nanjing	Others	Subtotal		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Revenue	27,213	2,157	1,766	31,136	31,414	3,288	4,507	87	6,886	46,182	—	77,318
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset	(7,060)	(1,942)	(921)	(9,923)	(25,017)	(2,014)	(464)	(42)	(3,939)	(31,476)	(520)	(41,919)
Operating losses	(1,332)	(1,150)	(1,826)	(4,308)	(24,990)	(2,224)	(2,117)	(500)	(3,012)	(32,843)	(11,273)	(48,424)
Loss before income tax	(1,381)	(1,290)	(1,823)	(4,494)	(26,784)	(2,173)	(2,373)	(299)	(3,393)	(35,022)	(12,881)	(52,397)

**(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	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
The People's Republic of China (the "PRC")	<u>86,047</u>	<u>77,318</u>	<u>86,403</u>	<u>107,544</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 (2020: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2021.

**(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	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major product lines		
— Hotpot business	<u>86,047</u>	<u>77,318</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Wages and salaries	5,909	6,634
Defined contribution plan ( <i>Note i</i> )	1,242	850
Other social security costs and housing benefits	204	526
Other employee benefits	1,585	2,078
Labour outsourcing expenses ( <i>Note ii</i> )	25,333	25,366
	<u>34,273</u>	<u>35,454</u>

*Notes:*

- (i) Employees of the Group established in 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.
- (ii) 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	
	2021	2020
	<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	88
Depreciation of property, plant and equipment	3,254	11,105
Depreciation of right-of-use assets	14,180	25,067
Impairment of right-of-use assets	—	4,492
Impairment of property, plant and equipment	—	1,167
Short-term lease payment	71	14
Low-value asset lease payment	233	444
Gain on lease modification <sup>1</sup>	(1,589)	(11,743)
Loss on disposal of property, plant and equipment <sup>1</sup>	772	2,637
Rent concessions income <sup>1</sup>	—	(4,326)
(Reversal of)/allowance for expected credit loss on trade and other receivables	(506)	23
Cleaning fee <sup>2</sup>	570	683
Transportation expenses <sup>2</sup>	460	870
Promotion and marketing expenses <sup>2</sup>	533	1,132
Travelling expenses <sup>2</sup>	140	136
Repair and maintenance fee <sup>2</sup>	632	1,896
Professional service expenses <sup>2</sup>	4,597	3,975

<sup>1</sup> These items were grouped under other gains, net.

<sup>2</sup> These items were grouped under other expenses.

#### 5. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income tax		
— Current tax	—	—
Deferred tax	(1,036)	(377)
Income tax expense	(1,036)	(377)

## 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u><b>(15,541)</b></u>	<u>(52,465)</u>

Number of shares:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>567,330,462</b></u>	<u>330,563,109</u>

The weighted average number of ordinary shares of 567,330,462 (six months ended 30 June 2020: Restated as 330,563,109) in issue during the year, as adjusted to reflect the effect of the share consolidation and the rights issue as disclosed in Note 10. 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 2021 and 2020, 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. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	At	At
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Right-of-use assets:</b>		
Shops	<b>24,647</b>	38,970
Offices	<b>8,280</b>	9,808
	<u><b>32,927</b></u>	<u>48,778</u>

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
<b>Lease liabilities payables:</b>		
— Within one year	17,352	16,976
— More than one year but not more than two years	18,463	21,432
— More than two years but less than five years	12,440	27,754
	<u>48,255</u>	<u>66,162</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 4 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 2021, total cash outflow for leases of approximately RMB15,826,000 (six months ended 30 June 2020: RMB26,309,000) was included in net cash used in financing activities.

#### 8. TRADE RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	3,533	5,145
Less: Allowance for expected credit loss	(2,321)	(2,876)
	<u>1,212</u>	<u>2,269</u>

As at 30 June 2021 and 31 December 2020, 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:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
0–30 days	1,097	1,726
31–90 days	14	134
91–180 days	50	319
181–360 days	51	90
	<u>1,212</u>	<u>2,269</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.

#### 9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Included in non-current assets:		
Rental deposits		
— non-current portion	<u>9,974</u>	<u>10,494</u>
Included in current assets:		
Rental deposits		
— current portion	6,721	6,069
Rental and utilities prepayments	11,645	10,827
Raw materials procurement prepayments	2,053	2,338
Value added tax inputs	15,112	15,622
Staff advances	507	275
Other receivables and prepayments due from related parties	2,880	410
Others	401	152
Less: Allowance for expected credit loss	<u>(1,347)</u>	<u>(1,298)</u>
	<u>37,972</u>	<u>34,395</u>

## 10. SHARE CAPITAL

### Share capital of the Company

	Number of shares	Amount in HK\$'000	Amount in RMB'000
<b>Authorised</b>			
As at 1 January 2020, 31 December 2020 (Audited) and 1 January 2021 (Unaudited), ordinary shares of HK\$0.00002 each	19,000,000,000	380	306
Share consolidation ( <i>note 1</i> )	<u>(18,050,000,000)</u>	<u>—</u>	<u>—</u>
<b>As at 30 June 2021 (Unaudited), ordinary shares of HK\$0.0004 each</b>	<b><u>950,000,000</u></b>	<b><u>380</u></b>	<b><u>306</u></b>
	Number of shares	Amount in HK\$'000	Amount in RMB'000
<b>Issued and fully paid</b>			
As at 1 January 2020, 31 December 2020 (Audited) and 1 January 2021 (Unaudited), ordinary shares of HK\$0.00002 each	6,373,602,437	128	109
Share consolidation ( <i>note 1</i> )	(6,054,922,316)	—	—
Issuance of shares upon rights issue ( <i>note 2</i> )	<u>318,680,121</u>	<u>127</u>	<u>106</u>
<b>As at 30 June 2021 (Unaudited), ordinary shares of HK\$0.0004 each</b>	<b><u>637,360,242</u></b>	<b><u>255</u></b>	<b><u>215</u></b>

#### Notes:

- 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.
- 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.

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade payables	35,391	44,366
Other payables	76,932	87,399
Staff costs and welfare accruals	54,650	57,836
	<u>166,973</u>	<u>189,601</u>

As at 30 June 2021 and 31 December 2020, the aging analysis of the trade payables based on invoice date were as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
0–30 days	4,362	7,145
31–90 days	7,724	8,144
91–180 days	9,455	15,221
181–360 days	5,735	7,387
Over 1 year	8,115	6,469
	<u>35,391</u>	<u>44,366</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 2021 (the “Period”), the Group’s revenue increased by approximately 11.3% to approximately RMB86.0 million from approximately RMB77.3 million in the last corresponding period. The impact of COVID-19 pandemic has alleviated, resulting in less restriction on social gathering that the number of operating days increased.

#### **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. The foods and beverage and other materials consumables costs decreased by approximately 9.2% to approximately RMB31.5 million for the six months ended 30 June 2021 from approximately RMB34.7 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, mainly consist of wages and salaries, labour outsourcing expenses, defined contribution plan and other employee related expenses.

The employee benefit and related expenses decreased by approximately 3.4% to approximately RMB34.3 million for the six months ended 30 June 2021 from approximately RMB35.5 million in the last corresponding period. The decrease was mainly due to the reduction in number of staff resulted from the closure of those loss-making restaurants during the Period.

#### **Property rentals and related expenses**

Following the closure of those loss-making restaurants, property rentals and related expenses decreased by approximately 35.3% to approximately RMB7.7 million for the six months ended 30 June 2021 from approximately RMB11.9 million in the last corresponding period.

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

Due to the deduction in the number of operating 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 58.5% accordingly to approximately RMB17.4 million for the six months ended 30 June 2021 from approximately RMB41.9 million in the last corresponding period.

### **Other expenses**

The Group's other expenses, mainly consists of professional services fees, cleaning fee, transportation expenses, promotion and marketing expenses and repair and maintenance fee, decreased by approximately 12.2% to approximately RMB10.1 million for the six months ended 30 June 2021 from approximately RMB11.5 million in the last corresponding period. The decrease was mainly attributable to the decrease in promotion and marketing expenses and repair and maintenance fee of approximately RMB0.6 million and RMB1.3 million respectively.

### **Other gains, net**

During the Period, the Group recorded other gains of approximately RMB5.1 million as compared to other gains of approximately RMB13.8 million in the last corresponding period, which was mainly attributable to gain on lease modification of approximately RMB1.6 million (six months ended 30 June 2020: approximately RMB11.7 million) following the closure of those loss-making restaurants.

### **Finance expenses, net**

The Group's finance expenses, mainly consists of interest expense on borrowings and lease liabilities and imputed interest on convertible bonds, decreased by approximately 50.0% to approximately RMB2.0 million for the six months ended 30 June 2021 from approximately RMB4.0 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 70.5% to approximately RMB15.5 million (six months ended 30 June 2020: approximately RMB52.5 million). Basic loss per share for the Period was approximately RMB0.03 (six months ended 30 June 2020: approximately RMB0.16). The decrease in loss for the period was mainly attributable to the closure of loss-making restaurants in last year, resulting in significant decrease in depreciation of property, plant and equipment and right-of-use assets of approximately RMB18.7 million, in response to the COVID-19 pandemic.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

As at 30 June 2021, the Group recorded cash and bank balances amounting to approximately RMB5.1 million (31 December 2020: approximately RMB3.2 million) and the net current liabilities value was approximately RMB179.8 million (31 December 2020: approximately RMB204.3 million).

The net liabilities value per share of the Company was approximately RMB0.22 as at 30 June 2021 (31 December 2020: approximately RMB0.45). The net liabilities value per share was computed based on 567,330,462 and 330,563,109 weighted average number of ordinary shares as at 30 June 2021 and 31 December 2020 respectively.

The Group's gearing ratio as at 30 June 2021 was approximately 0.04 (31 December 2020: approximately 0.04), being a ratio of total debts, including borrowing and convertible bonds, of approximately RMB6.1 million (31 December 2020: approximately RMB6.0 million) to the total assets of approximately RMB144.4 million (31 December 2020: approximately RMB161.5 million).

## **USE OF PROCEEDS FROM RIGHTS ISSUE**

The Company completed the Rights Issue on 22 February 2021, pursuant to which the Company has issued 318,680,121 shares 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.

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

	<b>Intended use of the net proceeds (HK\$ million)</b>	<b>Amount of the net proceeds utilised as at 30 June 2021 (HK\$ million)</b>	<b>Balance of the net proceeds unutilised as at 30 June 2021 (HK\$ million)</b>	<b>Expected timeline for the application of the balance of the net proceeds</b>
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	10.23	3.39	On or before 31 December 2021
<b>Total</b>	<b>43.25</b>	<b>39.86</b>	<b>3.39</b>	

## **PLEDGE OF ASSETS**

As at 30 June 2021, the Company had no charges on its assets (31 December 2020: Nil).

## **CAPITAL STRUCTURE**

On 14 January 2021, the Company implemented a share consolidation (the "Share Consolidation") on the basis that every twenty (20) issued and unissued shares of HK\$0.00002 each were consolidated into one consolidated share of the Company of HK\$0.0004 each.

On 22 February 2021, the Company allotted and issued 318,680,121 shares under the Rights Issue on the basis of one (1) rights share for every one (1) existing share held on 26 January 2021.

Following the completion of the Rights Issue, the board lot size for trading in shares remains the same as 20,000 shares.

Save as disclosed, the Company had no changes in capital structure during the six months ended 30 June 2021.

On 20 July 2021, 44,615,200 share options of the Company (the “Share Options”) were granted to the directors and employees of the Group pursuant to the share option scheme (the “Share Option Scheme”) approved and adopted by the Company on 2 June 2021.

## CONVERTIBLE BONDS

Upon the effective of the Share Consolidation on 14 January 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 of the Company (“Shares”) falling to be allotted and issued upon conversion of the Convertible Bonds shall be adjusted as follows:

Convertible Bonds	Immediately before the effective of the Share Consolidation		Immediately after the effective of the Share Consolidation	
	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 in the amount of HK\$4,414,937.7075	HK\$0.1025	43,072,563	HK\$2.05	2,153,628

Further 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:

Convertible Bonds	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 in the amount of HK\$4,414,937.7075	HK\$2.05	2,153,628	HK\$1.75	2,522,821

## **INVESTMENT POSITION AND PLANNING**

### **Rights Issue on the basis of one (1) rights share for every one (1) existing share held on 26 January 2021**

On 22 February 2021, the Company completed the Rights Issue on the basis of one (1) rights share for every one (1) existing 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. The net proceeds raised from the Rights Issue were approximately HK\$43.25 million.

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.

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 2021.

## **CONNECTED TRANSACTIONS**

Save as disclosed, for the six months ended 30 June 2021, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

## **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 2021 was 641 (31 December 2020: 754). 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.

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”). For the details, please refer to Notes 2.1 and 32 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2019.

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 Cap. 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 of the Company 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, the payment obligation is expired as at 31 December 2019.

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.

## **EVENTS AFTER REPORTING PERIOD**

On 20 July 2021, the Board resolved to grant the Share Options to grantees to subscribe for up to a total of 44,615,200 Shares, subject to acceptance by the grantees, under the Share Option Scheme. Further details are set out in the announcement of the Company dated 20 July 2021.

Save as disclosed, there are no other significant events occurred after the reporting date and up to the date of this announcement.

## **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 coronavirus outbreak, it is prudent for the Board to slow down the planned expansion.

### **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.

### **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 in the past few years. The Group plans 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.

## **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.

## **AUDIT COMMITTEE**

The audit committee of the Company (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 paragraph C3 of the Code on Corporate Governance Practices (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. Johnson Wan.

The Audit Committee has reviewed with the Board the accounting principles and practices adopted by the Company and discussed the internal control and financial reporting matters including the review of the unaudited condensed interim financial statements and results of the Company for the six months ended 30 June 2021.

## **CORPORATE GOVERNANCE PRACTICES**

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. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. The principles and the code provisions of the CG Code contained in Appendix 14 of the Listing Rules have been adopted by the Company.

In accordance with the requirements of the Listing Rules, the Company has established the Audit Committee with defined term of reference. The Company has also established a nomination committee and a remuneration committee with defined terms of reference. The terms of reference of these Board committees are available on the Stock Exchange's website and the Company's website.

During the six months ended 30 June 2021, the Company has complied with the CG Code except for the deviation from the code provisions which are explained below.

### **Code Provision A.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 of the Company.

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 as set out in Appendix 10 of the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors held offices during the six months under review. All Directors have confirmed that they complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2021.

### **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the Stock Exchange's website ([www.hkex.com.hk](http://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, 24 August 2021

*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. Johnson Wan.*