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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The board (the "Board") of directors (the "Director(s)") of Longhui International Holdings Limited (the "Company") hereby announces the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018, together with comparative figures from the previous corresponding year, summarised as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Revenue	3	**624,707**	700,432
Foods and beverage and other materials consumables used		**(253,798)**	(248,959)
Employee benefit and related expenses		**(166,008)**	(183,190)
Property rentals and related expenses		**(144,098)**	(131,496)
Utilities expenses		**(20,841)**	(20,613)
Depreciation, amortisation and impairment of property, plant and equipment and intangible asset		**(54,017)**	(49,412)
Other expenses		**(50,837)**	(35,519)
Other gains, net		**2,977**	4,803
(Loss)/profit from operating activities	4	**(61,915)**	36,046
Deemed listing expenses	14	**(399,670)**	—
Finance (expense)/income, net	5	**(668)**	1,753
(Loss)/profit before tax		**(462,253)**	37,799
Income tax credit/(expense)	6	**10,625**	(12,147)
(Loss)/profit for the year		**(451,628)**	25,652
(Loss)/profit attributable to:			
Owners of the Company		**(451,095)**	25,675
Non-controlling interest		**(533)**	(23)
		(451,628)	25,652

	Notes	**2018**	2017
		RMB'000	*RMB'000*
			(Restated)
(Loss)/profit for the year		**(451,628)**	25,652
Other comprehensive income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**2,283**	—
Total comprehensive (expense)/income for the year		**(449,345)**	25,652
Attributable to:			
Owners of the Company		**(448,812)**	25,675
Non-controlling interest		**(533)**	(23)
		(449,345)	25,652
Basic and diluted (loss)/earnings per share (cents)	*7*	**(0.10)**	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**As at 31 December 2018** *RMB'000*	As at 31 December 2017 *RMB'000* (Restated)	As at 1 January 2017 *RMB'000* (Restated)
Assets				
Non-current assets				
Property, plant and equipment		**69,270**	99,240	121,737
Intangible asset		**309**	468	—
Prepayment and other receivables	*9*	**22,717**	32,955	31,659
Deferred tax assets		**26,349**	12,891	9,714
		118,645	145,554	163,110
Current assets				
Inventories		**31,387**	27,955	28,334
Trade receivables	*8*	**16,988**	15,136	4,444
Prepayments and other receivables	*9*	**78,513**	139,797	119,956
Restricted cash		**26,286**	—	—
Cash and cash equivalents		**51,631**	60,431	71,717
		204,805	243,319	224,451
Total assets		**323,450**	388,873	387,561
Capital and reserves				
Share capital		**87**	—	—
Reserves		**(36,764)**	49,787	59,492
		(36,677)	49,787	59,492
Non-controlling interest		**44**	577	—
Total equity		**(36,633)**	50,364	59,492

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
Liabilities				
Non-current liabilities				
Borrowings		**—**	41,795	44,725
Convertible bonds		**72,892**	—	—
Other non-current liabilities		**22,369**	26,930	35,403
Deferred tax liabilities		**6,535**	1,300	4,000
		101,796	70,025	84,128
Current liabilities				
Trade payables	*10*	**63,933**	74,439	105,669
Other payables and accruals	*11*	**131,784**	141,708	89,195
Deferred revenue	*12*	**—**	41,593	38,729
Contract liabilities	*12*	**39,343**	—	—
Income tax payables		**799**	10,744	10,348
Borrowings		**22,430**	—	—
		258,289	268,484	243,941
Total liabilities		**360,085**	338,509	328,069
Total equity and liabilities		**323,452**	388,873	387,561
Net current liabilities		**(53,484)**	(25,165)	(19,490)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Longhui International Holdings Limited (the "Company"), formerly known as Daqing Dairy Holdings Limited, is a limited company incorporated in the Cayman Islands on 15 October 2009. As announced by the Company on 30 July 2018, the English and Chinese names of the Company have been changed to "Longhui International Holdings Limited" and "龍輝國際控股有限公司" respectively. According to the register of substantial shareholders maintained by the Company as at 31 December 2018, Shui Chak Group Limited ("Shui Chak Group") is the substantial corporate shareholders of the Company. The ultimate controlling party of Shui Chak Group Limited is Mr. Hung Shui Chak ("Mr. Hung").

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is Room 703, 7/F, Lucky Building, 39 Wellington Street, Central, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are engaged in restaurants operation located in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

The consolidated financial statements as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (collectively referred to as the "Group").

On 4 July 2018 (the "Acquisition Date"), the Company completed (I) acquisition of Longhui International Catering Management Holdings Limited (the "Acquisition"), (II) disposal of Global Milk Products Pte Ltd. ("Global Milk", which was the Company's wholly-owned subsidiary incorporated in the Republic of Singapore) and its subsidiaries incorporated in the PRC (the "Disposal") (III) placing of consolidated shares and (IV) open offer. Details of these transactions are set out in the Company's announcements dated 4 July 2018.

The Acquisition constituted a very substantial acquisition and reverse takeover of the Company and involved a new listing application. Under the Acquisition, the Company acquired the entire issued share capital of Longhui International Catering Management Holdings Limited (the "Legal Acquiree" or the "Accounting Acquirer"), a company incorporated in the PRC with limited liability, in consideration of the issue of 3,789,375,000 ordinary shares of the Company at the issue price of HK$0.125 per share (the "Consideration Shares") and convertible bonds (the "Consideration Convertible Bonds") in the aggregate principal amount of approximately HK$129,470,000 to the vendors. The details of the Acquisition are set out in the Company's circular dated 9 May 2018.

For the purpose of preparation of the consolidated financial statements, the Company is deemed to have been acquired by the Accounting Acquirer. These consolidated financial statements have been prepared on the basis that the Accounting Acquirer has acquired the Company on the Acquisition Date (the "Reverse Acquisition"). Under the Reverse Acquisition basis of accounting, the consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Accounting Acquirer and its subsidiaries (the "Longhui Group") and accordingly:

(i) The assets and liabilities of the Longhui Group are recognised in the consolidated financial statements of the Group and measured at their carrying amounts as presented in the consolidated financial statements of the Longhui Group;

(ii) The identifiable assets and liabilities of the Company deemed to be acquired or assumed by the Accounting Acquirer are initially recognised on the Acquisition Date at their fair values as at that date. The fair value of the purchase consideration deemed to be transferred in exchange for the Company is determined based on the number of equity interests the Accounting Acquirer would have had to issue to give to the owners of the Company the same percentage equity interest in the combined Group that results from the Acquisition and measured at the fair value of the equity consideration deemed to be issued to the then shareholders of the Company (the "Deemed Consideration"). The Deemed Consideration is in excess of the fair values of the assets acquired and liabilities assumed by the Group and the difference is recognised as deemed listing expenses (see note 14);

(iii) The comparative information presented in these consolidated financial statements is restated to be that of the Longhui Group;

(iv) The results and cash flows of the Company and its original subsidiaries have been consolidated in the consolidated financial statements since the completion date of the Acquisition.

Further details of the Acquisition and the Deemed Consideration and deemed listing expenses arising on the Acquisition are set out in note 14.

Upon the completion of the Acquisition on 4 July 2018, the Company determined that its functional currency has changed to Renminbi ("RMB") because its subsidiaries, being the Legal Acquiree and its subsidiaries, principally operate in the PRC. Further, the directors of the Company (the "Directors") have determined to change the presentation currency of the consolidated financial statements from Hong Kong Dollar ("HK$"), used in previously issued financial statements of the Company, to RMB because, in the opinion of the Directors, this would better reflect the Group's business and provide users with more comparable financial information with the peers operating in similar industry and economic environment.

The change in functional and presentation currencies was accounted for in accordance with International Accounting Standard ("IAS") 21 "The Effects of Changes in Foreign Exchange Rates".

The Group has also presented the consolidated statement of financial position as at 1 January 2017 without related notes.

Going concern basis

In the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in view of the fact that the Group incurred a loss of approximately RMB451,628,000 during the year ended 31 December 2018 and had net current liabilities of approximately RMB53,484,000 as at 31 December 2018. The substantial shareholders of the Company have given their consent to provide continuous financial support to the Group to enable the Group to meets its obligations when due.

Prior year's consolidated financial statements

As disclosed in the consolidated financial statements included in the annual report of the Company for the financial year ended 31 December 2017 (the "Prior Year's Financial Statements"), the Directors were unable to locate complete books and records of the Company and Global Milk and to get access to the books and records of the wholly-owned subsidiaries of Global Milk incorporated in the PRC (the "PRC Subsidiaries") and in the absence of the Group's previous management to explain and validate the true state of the affairs of, inter alia, the Company for the then current and previous financial years, it was considered by the Directors that it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss of the then current and previous years for, inter alia, the Company or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the years and various balances of the Company, Global Milk and the PRC Subsidiaries for the then current and previous years. In the opinion of the Directors, any reconstruction of the correct accounting records would also be almost impossible as it would be necessary to verify the information with external and independent sources and such sources might not be available or might be unreliable. As of the date of approval of the Prior Year's Financial Statements, the Directors had used its best efforts, to the extent commercially practicable, to reconstruct the accounting records of the Company, Global Milk and the PRC Subsidiaries for the then current and previous years and applied the best estimates and judgement based on the information of these entities that were available to the Directors. However, given substantial portion of the books and records of these entities could not be located or accessed and the previous management of the Group did not respond to the management's request, the Directors believed that as at the date of approval of the consolidated financial statements, it was impossible and impractical to ascertain the transactions and balances of the Company, Global Milk and the PRC Subsidiaries for inclusion in the financial statements of the Company and its consolidated financial statements since the year ended 31 December 2011.

During the current financial year ended 31 December 2018, the Company disposed of its entire equity interests in Global Milk and the PRC Subsidiaries upon the completion of the Disposal. The Disposal was completed immediately prior to the completion of the Acquisition and hence the assets and liabilities of Global Milk and the PRC Subsidiaries were not part of the assets and liabilities deemed acquired or assumed by the Group in the Acquisition.

2.2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board, which are effective for the Group's financial year beginning 1 January 2018. A summary of the new IFRSs are set out as below:

IFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transaction
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
IAS 28 (Amendments)	As part of Annual Improvement to IFRSs 2014–2016 Cycle
IAS 40 (Amendments)	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

The above new IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

Except as described below, the application of the new IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**Carrying amounts previously reported as at 31 December 2017**	**IFRS 9**	**IFRS 15**	**Carrying amounts as at 1 January 2018**
	RMB$'000	*RMB$'000*	*RMB$'000*	*RMB$'000*
	(Restated)			(Restated)
Non-current assets				
Deferred tax assets	12,891	1,169	—	14,060
Current assets				
Trade receivables	15,136	(1,733)	—	13,403
Prepayments and other receivables	139,797	(2,945)	—	136,852
Current liabilities				
Deferred revenue	41,593	—	(41,593)	—
Contract liabilities	—	—	41,593	41,593
Capital and reserves				
Reserves	35,380	(3,509)	—	31,871
Non-controlling interest	600	—	—	600

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Accounting policies resulting from application of IFRS 9 are disclosed in note to consolidated financial statements.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

The financial assets currently held by the Group include loans and receivables which continue to be measured at amortised cost under IFRS 9. Accordingly, there is no impact on the classification and measurement of the Group's financial assets upon adoption of IFRS 9.

There is no impact on the Group's accounting for financial liabilities previously carried at amortised costs/remained to be measured at amortised cost under IFRS 9.

Impairment of financial assets

The Group has five types of financial assets that are subject to IFRS 9's expected credit loss ("ECL") model, including trade receivables, other receivables, receivables from related parties, restricted cash and cash and cash equivalents.

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

ECL for other financial assets at amortised cost, including other receivables, bank deposits and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

Summary of effects arising from initial application of IFRS 9

Other financial assets measured at amortised cost

Other financial assets at amortised cost, including cash and bank balances are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The following tables summarised the impact, net of tax, of transition IFRS 9 on the opening balance of reserve 1 January 2018 as follow:

	Retained earnings *RMB'000*
Reserves	
As at 31 December 2017	39,296
Increase in expected credit loss ("ECLs") in	
— Trade receivables	(1,733)
— Other receivables	(2,945)
— Deferred tax assets	1,169
As at 1 January 2018, as restated	35,787

All loss allowances, including trade receivables and other receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables *RMB'000*	Other receivables (current portion) *RMB'000*
Closing balance at 31 December 2017 under IAS 39	—	—
Initial application of IFRS 9:		
Amounts re-measured through opening — accumulated loss	(1,733)	(2,945)
Opening balance at 1 January 2018, as restated	(1,733)	(2,945)

IFRS 15 Revenue from Contracts with Customers

Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "Revenue" and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and the related interpretations.

Key changes in accounting policies resulting from application of IFRS 15

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract cost represents the incremental costs of obtaining a contract with a customer if the Group expects to recover these costs.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

There is no material difference on the timing and amounts of IFRS 15 and IAS 18.

Summary of effects arising from initial application of IFRS 15

The adoption of IFRS 15 did not have an impact on the timing of revenue recognition. Proceeds from customers of the prepaid card, advance received from online group from online group-purchasing websites and coupons which previously presented as "deferred revenue", are recorded as "contract liabilities" before relevant sale revenue is recognised.

The tables below illustrate the impacts of applying IFRS 15 on the Group's consolidated financial statements.

Impact on the consolidated statement of financial position

	Carrying amounts previously reported as at 31 December 2017 *RMB'000* (Restated)	**Reclassification** *RMB'000*	**Carrying amounts under IFRS 15 as at 1 January 2018** *RMB'000* (Restated)
Current liabilities			
Deferred revenue	41,593	(41,593)	—
Contract liabilities	—	41,593	41,593

Impact on the consolidated statement of cash flows

	As reported *RMB'000* (Restated)	Adjustments *RMB'000*	Amounts without application of IFRS 15 *RMB'000* (Restated)
Cash flows from operating activities			
Increase in deferred revenue	—	(41,593)	41,593
Increase in contract liabilities	41,593	41,593	—

New and revised IFRSs that have been issued but are not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IAS 1 and IAS 8 (Amendments)	Definition of Material[3]
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
IAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
IFRS (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle[1]
IFRS 3 (Amendments)	Definition of a business[2]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[4]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1st January 2019.

[2] Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

[3] Effective for annual periods beginning on or after 1st January 2020.

[4] Effective for annual periods beginning on or after 1st January 2021.

[5] Effective for annual periods beginning on or after a date to be determined.

3. REVENUE AND SEGMENT INFORMATION

Prior to completion of the Acquisition, no revenue and segment information were presented as the Company did not conduct business.

Subsequent to completion of the Acquisition, the Company's chief operating decision maker (the "CODM"). Management has determined the operating segments based on the information reviewed by CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from both brand and geographic perspective. The Group has a clear and distinct focus on the market segments that it appeals to and thus it creates the two brands of “Faigo” and “Xiao Faigo Hotpot”. Faigo appeals to high-end market such as business clientele, high-end fashion conscious and young clientele. Restaurants operating under the brand Xiao Faigo Hotpot cater for the mid-end market where a wide spectrum of guests are targeted, principally families, friends and tourists. Geographically, all of the Group’s operations are located in the PRC and the management separately considers the performance of Faigo in Shanghai and Beijing and Xiao Faigo Hotpot in Shanghai, Beijing, Wuxi, Nanjing and Hangzhou. Faigo and Xiao Faigo Hotpot in other cities have been aggregated into two separate reportable segments, respectively. The CODM assesses the performance of the operating segments based on the revenue and operating profits. The operating expenses of headquarters of Faigo and Xiao Faigo Hotpot are common costs incurred for the Faigo and Xiao Faigo Hotpot as a whole and therefore they are not included in the measure of the segments’ performance, which is used by the CODM as a basis for the purpose of resource allocation, and assessment of segment performance. Finance income and expenses, other gains/losses including government grants and gain/loss of disposal of investment are not allocated to segments, as these types of activity are driven by the central treasury function of the Group.

There were no material inter-segment sales during the year. The revenue from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of profit or loss and other comprehensive income.

(A) Segment revenue

	Year ended 31 December 2018												
	Faigo				**Xiao Faigo Hotpot**							**Unallocated**	**Total**
	Shanghai	**Beijing**	**Others**	**Subtotal**	**Shanghai**	**Beijing**	**Wuxi**	**Nanjing**	**Hangzhou**	**Others**	**Subtotal**		
Revenue	**95,345**	**13,103**	**10,395**	**118,843**	**337,853**	**45,938**	**28,350**	**12,144**	**8,114**	**73,465**	**505,864**	**—**	**624,707**
Depreciation, amortization and impairment of property, plant and equipment and intangible asset	**2,479**	**186**	**1,143**	**3,808**	**23,252**	**4,781**	**1,245**	**1,394**	**1,567**	**16,833**	**49,072**	**1,137**	**54,017**
Operating profit/(losses)	**13,908**	**(2,774)**	**(2,119)**	**9,015**	**(29,390)**	**(3,996)**	**(2,466)**	**(1,056)**	**(706)**	**(6,391)**	**(44,005)**	**(26,898)**	**(61,888)**
Profit/(losses) before income tax	**13,908**	**(2,774)**	**(2,119)**	**9,015**	**(29,390)**	**(3,996)**	**(2,466)**	**(1,056)**	**(706)**	**(6,391)**	**(44,005)**	**(427,263)**	**(462,253)**

	Year ended 31 December 2017 (Restated)												
	Faigo				Xiao Faigo Hotpot							Unallocated	Total
	Shanghai	Beijing	Others	Subtotal	Shanghai	Beijing	Wuxi	Nanjing	Hangzhou	Others	Subtotal		
Revenue	107,766	13,263	7,329	128,358	388,378	47,845	30,175	17,229	9,916	78,531	572,074	—	700,432
Depreciation, amortization and impairment of property, plant and equipment and intangible asset	5,451	122	255	5,828	29,051	3,509	2,213	1,263	727	5,755	42,518	1,066	49,412
Operating profit/(losses)	31,775	959	(134)	32,600	49,347	536	5,093	1,154	(756)	(4,290)	51,084	(47,638)	36,046
Profit/(losses) before income tax	31,775	959	(134)	32,600	49,347	536	5,093	1,154	(756)	(4,290)	51,084	(45,885)	37,799

(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		Non-current assets	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
The PRC	**624,707**	700,432	**118,646**	145,554

(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 (2017: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the year ended 31 December 2018.

(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 products is as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products lines		
— Hotpot business	**624,707**	700,432

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

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

	2018 *RMB'000*	2017 *RMB'000* (Restated)
(Loss)/profit from operating activities has been arrived at after charging:		
Directors' emoluments	**1,225**	—
Auditors' remuneration	**1,000**	—
Depreciation of property, plant and equipment	**44,857**	49,299
Amortisation of intangible asset	**205**	113
Impairment of property, plant and equipment	**8,955**	—
Expected credit loss on trade receivables	**57**	—
Forfeiture of deposit upon early termination of tenancy agreement	**1,431**	—
Professional service expenses*	**20,420**	8,741
Foreign exchange gains	**534**	2,357

* These items were grouped under other expenses.

5. FINANCE (EXPENSE)/INCOME, NET

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Finance income:		
— Interest income on financing provided to related parties	**1,824**	4,290
— Interest income on cash and cash equivalents	**189**	79
	2,013	4,369
Finance expenses:		
— Imputed interest on convertible bonds	**(1,044)**	—
— Interest expense on borrowings	**(1,637)**	(2,611)
— Bank charges	**—**	(5)
	(2,681)	(2,616)
Finance (expense)/income, net	**(668)**	1,753

6. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense of the Group for the years are analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current income tax	**3,136**	14,024
Deferred income tax	**(13,761)**	(1,877)
Income tax (credit)/expense	**(10,625)**	12,147

(a) Cayman Islands

Entities incorporated in the Cayman Islands as exempted companies with limited liability.

(b) British Virgin Islands income tax

Entities incorporated in the British Virgin Islands as an exempted company with limited liability under the Company Law of British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

(c) Hong Kong profits tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to the Group for the year ended 31 December 2018.

At the end of the reporting period, the Group had unused tax losses of approximately RMB19,017,000 (2017: RMB8,587,000) available for offset against the future assessable profits.

(d) PRC Enterprise income tax

Entities incorporated in the PRC are generally subject to income tax rates of 25% (2017: 25%) throughout the years.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits based on existing legislations, interpretations and practices.

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share attributable to owners of the Company is based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
(Loss)/earnings:		
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(451,095)**	25,675

	2018	2017
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**4,476,238,151**	3,789,375,000

For the year ended 31 December 2018, the computation of diluted loss per share does not assume the conversion of the Consideration Convertible Bonds since their exercise would result in a decrease in loss per share.

There were no dilutive potential ordinary shares during the year ended 31 December 2017, and therefore, diluted earnings per share is the same as the basic (loss)/earnings per share.

The weighted average number of shares used for the purpose of calculating basic (loss)/earnings per share for the year ended 31 December 2018 is determined by reference to the number of ordinary shares issued for the Acquisition and the number of ordinary shares outstanding after completion of the Acquisition.

The weighted average number of shares used for the purpose of calculating basic (loss)/earnings per share for the year ended 31 December 2017 is determined by reference to the number of ordinary shares issued for the Acquisition.

8. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**18,721**	15,136
Less: Allowance for credit loss	**(1,733)**	—
	16,988	15,136

As at 31 December 2018 and 2017, 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 were as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Up to 6 months	**14,493**	14,048
6 months to 1 year	**2,495**	800
1 to 2 years	**—**	43
2 to 3 years	**—**	8
Over 3 years	**—**	237
	16,988	15,136

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

No interest is charged on the trade receivables. The long aging balances are due from certain frequent customers and the management considers that these receivables are recoverable.

(b) The aging analysis of past due but not impaired trade receivables were as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Up to 6 months	**3,153**	2,817
6 months to 1 year	**2,495**	800
1 to 2 years	**—**	43
2 to 3 years	**—**	8
Over 3 years	**—**	237
	5,648	3,905

9. PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Included in non-current assets		
Rental deposits — non-current portion	**22,717**	32,955
Included in current assets		
Rental and utilities prepayments	**16,055**	14,700
Raw materials procurement prepayments	**15,096**	18,843
Rental deposits — current portion	**12,511**	2,747
Value added tax inputs	**32,038**	19,096
Staff advances	**998**	1,787
Loan to related parties	**—**	78,049
Other receivables from related parties	**2,813**	1,991
Others	**1,947**	2,584
Less: Allowance for credit loss	**(2,945)**	—
	78,513	139,797

As at 31 December 2018 and 2017, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximated their fair value. The maximum exposure to credit risk at each of the reporting dates is the carrying value of each class of prepayments and other receivables mentioned above. The Group does not hold any collateral as security. The amount reported in the impairment losses recognised on other receivables is the estimated amount of the accounts receivable that will not be collected.

10. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Raw material payables	**63,933**	74,439

As at 31 December 2018 and 2017, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Less than 1 year	**61,144**	71,374
1 to 2 years	**1,842**	2,375
2 to 3 years	**853**	507
Over 3 years	**94**	183
	63,933	74,439

As at 31 December 2018 and 2017, the carrying amount of the Group's trade payables were denominated in RMB.

11. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Staff costs and welfare accruals	**53,431**	64,037
Leasehold improvements payable	**11,197**	15,545
Payable to Ningbo Tianxin Catering Management Co., Ltd. ("Ningbo Tianxin") for payroll related services *(Note i)*	**12,861**	11,888
Rental deposits — current portion	**8,197**	8,576
Professional service expenses	**8,803**	3,596
Utility payable	**1,542**	808
Reinstatement costs — current portion	**2,932**	707
Business tax and other tax liabilities	**2**	393
Amount due to the Director	**1,118**	—
Amount due to related parties	**1,248**	—
Amount due to former shareholders *(Note ii)*	**24,968**	—
Amount due to former directors *(Note ii)*	**86**	—
Dividend payable to former shareholders before Reverse Acquisition	**210**	33,436
Others	**5,189**	2,722
	131,784	141,708

Notes:

(i) The Group engaged Ningbo Tianxin, a third party company, for salary and wages distribution services for certain junior position staffs (such as waiters/waitress, kitchen assistants, etc.). On monthly basis, Ningbo Tianxin distributes salary and wages to relevant individuals after receiving payments from the Group. As of 31 December 2018, the payable balance represented the unpaid salary and wages for December 2018, which has been subsequently settled in January 2019.

(ii) The amounts due to former shareholders and directors do not bear any interest and are repayable on demand.

12. CONTRACT LIABILITIES/DEFERRED REVENUE

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Advance received from online group-purchasing websites *(Note b)*	**38,332**	150
Prepaid cards *(Note b)*	**1,010**	39,811
Cash coupons and others *(Note c)*	**1**	1,632
	39,343	41,593

Notes:

(a) Upon the adoption of IFRS 15, advance received from online group-purchasing websites, prepaid cards and cash coupons and others amounted to approximately RMB41,593,000 which previously included in deferred revenue was reclassified as contract liabilities at 1 January 2018 (note 2.2).

(b) The Group collaborated with online group-purchase websites in the PRC, which acted as the sales channels of the Group through which ultimate individual customers can purchase prepaid coupons to redeem goods and services at the Group's restaurants. The online group- purchasing websites make lump-sum payments to the Group in advance for the estimated value of electronic coupons that the websites would resell to end customers. The Group recognised such receipts as contract liabilities and when the relevant catering services are rendered to the customers who use the prepaid coupons in electronic form distributed online for settlement, the amount will be recognised as revenue and an equivalent amount will be deducted from the contract liabilities.

(c) The prepaid cards and cash coupons of the Group are refundable. However, no refund liabilities were recognised during the years since the Directors expect that amounts to be refined in the future reporting periods is insignificant.

13. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the years but not yet incurred are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Property, plant and equipment	**2,085**	2,849

(b) Operating lease commitments

The Group leases certain of its restaurants, staff quarters, warehouses, and office premises under operating lease arrangements. Leases for restaurants are negotiated for terms ranging from five to eight years, while leases for warehouses, staff quarters and office premises are negotiated for terms ranging from one to three years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
No later than 1 year	**103,101**	100,545
Later than 1 year and no later than 5 years	**149,423**	203,590
Later than 5 years	**3,090**	928
	255,614	305,063

The operating lease rentals of certain restaurants are determined at the higher of a fixed rental and contingent rental based on the sales revenue of those restaurants. As the future sales could not be reliably determined, the relevant contingent rent has not been included in the above table.

14. ACQUISITION OF THE COMPANY

As disclosed in note 2.1, the Company allotted and issued to the vendor 3,789,375,000 Consideration Shares and Consideration Convertible Bonds in the aggregate principal amount of approximately HK$129,470,000 which entitled the holders to convert into 1,263,125,000 conversion shares in full based on the initial conversion price of HK$0.1025 per conversion share as consideration for acquiring the entire equity interest of Longhui International Catering Management Holdings Limited on 4 July 2018. The substance of the Acquisition is a reverse acquisition of the Company and as a result, the Acquisition is accounted for as such under IFRS 3. The Consideration Shares and Consideration Convertible Bonds allotted and issued to effect the Acquisition are measured at their fair values at the date of completion of the Acquisition but are not accounted for as Deemed Consideration for the Acquisition as the Acquisition is accounted for as reverse acquisition of the Company rather than as acquisition of the Legal Acquiree.

The fair value of the consideration was determined based on the number of the Company's shares outstanding immediately prior to the Acquisition and the share price of the Company immediately upon the trading resumption of the Company's share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which was determined using the published share price available on 6 July 2018 amounted to HK$0.29 per share and the number of the Company's shares outstanding immediately prior to the Acquisition of 1,364,175,000 shares. Accordingly, the Deemed Consideration for the Acquisition is approximately HK$395,611,000 (equivalent to approximately RMB334,246,000). The fair value hierarchy of the input (i.e. share price of the Company) to determine fair value of the Deemed Consideration is categorised under Level 1 by reference to the quoted bid price of the Company in an active market.

The fair values of the identifiable assets and liabilities of the Company deemed acquired or assumed upon the Acquisition are set out as follows:

	RMB'000
Net assets acquired	
Bank and cash balances	81,394
Prepayments	127
Trade receivables	20
Other payables	(37,578)
	43,963

	RMB'000
Deemed Consideration effectively transferred	334,246
Add: Convertible bond liability component	71,848
Add: Convertible bond equity component	37,539
Less: Fair value of identifiable net assets of the Company	(43,963)
	65,424
Deemed listing expenses arising on the Acquisition	399,670

	RMB'000
Net cash inflow in respect of the reverse acquisition	
Bank and cash balances	81,394

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the "Share(s)") had been suspended from trading on the Stock Exchange from 22 March 2012 and resumption (the "Resumption") in the trading of the shares of the Company on the Stock Exchange took place on 6 July 2018 upon fulfilling all the resumption conditions imposed by the Stock Exchange. Following the Resumption, we are principally engaged in the hotpot restaurant business in the PRC.

The Company has a clear and distinct focus on the market segments that it appeals to and thus it created three brands, namely Faigo ("輝哥"), Xiao Faigo Hotpot ("小輝哥火鍋") and Hong Yuanwai ("洪員外"). Restaurants operating under the brand Faigo appeal to the high-end market such as business clientele, while restaurants operating under the brands Xiao Faigo Hotpot ("小輝哥火鍋") and Hong Yuanwai ("洪員外") cater to the mid-tier market for a wide spectrum of guests.

The brand Faigo ("輝哥") specializes in seafood hotpot cuisine with a signature menu which is characterized by the aromatic soup base and a wide range of selection of seafood and beef. The Company started its first restaurant in Shanghai in 2004 under the brand Faigo and gradually expanded its restaurant network to other major cities in the PRC including Beijing, Shenzhen, Nanjing and Hangzhou since 2010.

In 2013, Sina Weibo, a popular social media in the PRC, chose the brand Faigo as one of the most popular restaurants amongst foodies — "2013年最受吃貨喜愛的人氣餐廳". In 2014, the Company was named as a five-star merchant by dianping.com, a widely used search engine for restaurants in the PRC. The brand Faigo was named as one of the top 10 hotpot brand in 2016 by the China Hotel Association. In 2018, Xiao Faigo Hotpot ("小輝哥火鍋") was awarded "China's Top 100 Hotpot Enterprises in 2017 (2017年度中國火鍋百強企業)" by China Cuisine Association.

Set forth below are certain key performance indicators of the restaurants under the brands Xiao Faigo Hotpot ("小輝哥火鍋") and Hong Yuanwai ("洪員外") in different regions in the PRC:

	Year ended 31 December	
	2018	2017
	RMB	*RMB*
Revenue (in RMB)		
Shanghai	**340,703,914**	388,378,462
Beijing	**45,938,153**	47,845,440
Wuxi	**20,530,177**	30,175,250
Nanjing	**12,144,389**	17,228,713
Hangzhou	**8,114,106**	9,916,232
Other cities	**73,464,603**	78,530,182
Nationwide	**508,715,342**	572,074,279
Number of restaurants		
Shanghai	**57**	58
Beijing	**9**	9
Wuxi	**4**	5
Nanjing	**2**	3
Hangzhou	**2**	2
Other cities	**18**	16
Nationwide	**92**	93
Average customer per day per restaurant *(note 1)*		
Shanghai	**132.8**	170.2
Beijing	**115.2**	133.1
Wuxi	**145.5**	139.2
Nanjing	**92.1**	135.3
Hangzhou	**94.1**	118.7
Other cities	**95.6**	90.1
Nationwide	**122.3**	143.7
Seat turnover rate per day per restaurant *(note 2)*		
Shanghai	**1.2**	1.8
Beijing	**1.0**	1.5
Wuxi	**1.3**	1.6
Nanjing	**0.8**	1.7
Hangzhou	**0.9**	1.9

	Year ended 31 December	
	2018	2017
	RMB	*RMB*
Other cities	**0.9**	1.1
Nationwide	**1.2**	1.6
Average daily restaurant sales (in RMB) *(note 3)*		
Shanghai	**16,828.2**	20,654.56
Beijing	**14,551.2**	16,235.7
Wuxi	**18,290.4**	16,534.8
Nanjing	**11,859.8**	15,734.4
Hangzhou	**11,115.2**	13,584.2
Other cities	**11,295.3**	9,775.7
Nationwide	**15,317.8**	17,111.5
Average spending per customer (in RMB) *(note 4)*		
Shanghai	**126.7**	121.3
Beijing	**126.3**	122.0
Wuxi	**125.7**	118.8
Nanjing	**128.8**	116.3
Hangzhou	**118.2**	114.5
Other cities	**118.2**	108.5
Nationwide	**125.2**	119.0

Notes:

1. Calculated by dividing total customer traffic for the year by total restaurant operation days during the year.

2. Calculated by dividing total customer traffic by the product of total restaurant operation days and average seating capacity per restaurant during the year.

3. Calculated by dividing revenue for the year by total restaurant operation days during the year.

4. Calculated by dividing revenue before business tax/value added tax for the year by total customer traffic for the year.

Set forth below are certain key performance indicators of the restaurants under the brand Faigo ("輝哥") in different regions in the PRC:

	Year ended 31 December	
	2018	2017
	RMB	*RMB*
Revenue (in RMB)		
Shanghai	**92,493,742**	107,765,544
Beijing	**13,103,045**	13,263,385
Other cities	**10,395,057**	7,328,985
Nationwide	**115,991,844**	128,357,914
Number of restaurants		
Shanghai	**4**	4
Beijing	**1**	1
Other cities	**2**	2
Nationwide	**7**	7
Average customer per day per restaurant *(note 1)*		
Shanghai	**65.1**	73.5
Beijing	**50.1**	53.8
Other cities	**61.3**	68.2
Nationwide	**62.2**	69.9
Seat turnover rate per day per restaurant *(note 2)*		
Shanghai	**0.4**	0.5
Beijing	**1.3**	1.4
Other cities	**1.4**	1.2
Nationwide	**0.6**	0.6
Average daily restaurant sales (in RMB) *(note 3)*		
Shanghai	**54,280.4**	58,446.6
Beijing	**35,898.8**	36,343.5
Other cities	**20,106.5**	18,564.5
Nationwide	**44,853.8**	48,575.8

	Year ended 31 December	
	2018	2017
	RMB	*RMB*
Average spending per customer (in RMB) *(note 4)*		
Shanghai	**834.3**	795.1
Beijing	**717.7**	675.2
Other cities	**327.8**	272.7
Nationwide	**721.1**	694.6

Notes:

1. Calculated by dividing total customer traffic for the year by total restaurant operation days during the year.

2. Calculated by dividing total customer traffic by the product of total restaurant operation days and average seating capacity per restaurant during the year.

3. Calculated by dividing revenue for the year by total restaurant operation days during the year/period.

4. Calculated by dividing revenue before business tax/value added tax for the year by total customer traffic for the year.

Having in-depth investigation, the Company closed down 9 underperforming restaurants and opened 8 restaurants in popular shopping malls during 2018. As at 31 December 2018, the Company owned and operated a total of 99 restaurants (2017: 100 restaurants). As at 31 December 2018, in addition to the restaurants owned and operated by the Group itself, the Group had also granted to an independent third party the right to operate one restaurant under the brand Faigo, in relation to which the Company received a monthly management fee and the results of that franchised restaurant was not consolidated in the Group's results.

The growing concern of food safety in the PRC from the consumers is an issue that each and every restaurant chain in the PRC needs to respond. The Company realizes that the reputation which takes years to build and protect can be ruined by one single food safety incident and therefore the Company attaches paramount importance to the safety and quality of food and has in place a reliable procurement system which ensures visibility and traceability of food ingredients throughout the catering service industry value chain. The staff of the Group also receives comprehensive training to minimize the risk of contamination during the preparation of foods before they are served at the table.

Since all restaurants operating under the brands owned by the Group are self-owned except the franchised restaurant in Beijing and one restaurant to be operated as a joint venture held as to 70% by the Group and 30% by an independent third party, this enables the Group to closely control the development of businesses in terms of quality of the foods, services standards and brand awareness.

Looking forward to 2019 taking product quality as our lifeline and upholding the philosophy of "seizing market opportunities through reform and gaining market shares by transformation and upgrade", we will continue to overcome challenges ahead and introduce more innovative ideas to consolidate our leading position in the catering industry, with an aim to develop into the brand with the highest market capitalization in the Asia-pacific catering industry. With our commitment to transformation and product quality, we are confident to build the Company as the leader of the casual restaurants in China.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 10.8% from approximately RMB700.4 million (Restated) in 2017 to approximately RMB624.7 million in 2018, mainly attributable to decrease in the revenue of the hotpot business of its existing restaurants due to decrease of customer flow impacted by the economic recession in mainland and competition in other restaurants which lead to lesser attraction from customers as compared to 2017.

Foods and beverage and other materials consumables used

The Group's foods and beverage and other materials consumables costs mainly represents 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 increased by approximately 1.9% from approximately RMB249.0 million (Restated) in 2017 to approximately RMB253.8 million in 2018. As a percentage of the Group's revenue, the Group's foods and beverage and other materials consumables costs increased from approximately 35.6% in 2017 to approximately 40.6% in 2018, mainly attributable to the increase in purchase price of food ingredients from the range of approximately 3% to 20% in 2018.

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, defined contribution plan, social security costs and housing benefits and other employee benefits.

Despite the increase in the number of employees of the Group from 2,826 (Restated) in 2017 to 3,057 in 2018, the Group's employee benefit and related expenses decreased by approximately 9.4% from approximately RMB183.2 million (Restated) in 2017 to approximately RMB166.0 million in 2018, such decrease was attributable to (i) outsourcing part of the staff to an external management company; and (ii) time lapse between the closure and opening of restaurants. The Group is of the view that the percentage decrease in the employee benefit and related expenses (approximately 9.4%) was in line with the decrease in the revenue (approximately 10.8%) in 2018.

Property rentals and related expenses

The Group's property rentals and related expenses increased by approximately 9.6% from approximately RMB131.5 million (Restated) in 2017 to approximately RMB144.1 million in 2018, mainly attributable to the increase in monthly rental and management expenses.

Depreciation, amortization and impairment of property, plant and equipment and intangible asset

The Group's depreciation and amortization of property, plant and equipment and intangible asset decreased by approximately 9.3% from approximately RMB49.4 million (Restated) in 2017 to approximately RMB54.0 million in 2018, mainly attributable to the disposal of property, plant and equipment led by the closure of 9 underperforming restaurants. These restaurants were closed either under strategic termination of tenancy agreements or completion of tenancy agreements.

The Group's impairment of property, plant and equipment amounted to approximately RMB9.0 million in 2018 mainly attributable to that the property, plant and equipment in a few of restaurants were impaired due to continuous loss-making situations.

As the Group intends to continue opening new restaurants and expanding the restaurant network, the Directors expect the property rentals and related expenses as well as the depreciation charge on the assets would increase generally in the future. Besides, the Directors will continue to look for better control in the property, rental and related expenses, such as entering into long-term rental agreements so as to maintain the rental expenses at a reasonable level.

Other expenses

The Group's other expenses, which mainly consist of cleaning fee, audit related fee, maintenance fee and professional fee, increased by approximately 43.1% from approximately RMB35.5 million (Restated) in 2017 to approximately RMB50.8 million in

2018 mainly due to the professional fees incurred for the publication of the documents in relation to the resumption work and the listing expenses incurred for the listing application.

Deemed listing expenses

The Group recognised deemed listing expense of RMB399.7 million for the year ended 31 December 2018 upon the completion of the Reverse Acquisition by applying the principles of reverse acquisition in IFRS 3.

Since the Company is not a business under IFRS 3, at the completion date of the Reverse Acquisition, the fair value of the shares deemed to have been issued by Longhui Group and the fair value of the Company's identifiable assets and liabilities received should be treated in its entirety as a payment for listing and expensed when incurred.

Whilst such listing expense is a notional expense without any impact on the Group's net assets and cash flow, they had a material adverse impact on the Group's results for the year ended 31 December 2018. The management does not consider this one-off notional non-cash listing expense shall have any adverse impact on the actual operations of the Group.

Loss/profit for the year

Loss for the year attributable to owners of the Company for 2018 was approximately RMB451.1 million, as compared with profit for the year of approximately RMB25.7 million (restated) for 2017. Basic loss per share for 2018 was approximately RMB0.1 cents, as compared with basic earnings per share of approximately RMB0.01 cents (restated) for 2017. The net loss was mainly attributable to: (i) the listing expenses incurred for the resumption of the trading of the shares of the Company on the Stock Exchange during 2018; (ii) a decrease in the revenue of the hotpot business of its existing restaurants due to decrease of customer flow impacted by the economic recession in mainland and competition in other restaurants which lead to lesser attraction from customers as compared to 2017; (iii) the existing thin profit margin and further decrease in the gross profit margin of the hotpot business for 2018 as compared to 2017 as a result of increase in direct costs of raw materials and operation; (iv) delay in opening of new restaurants according to original plan due to adverse market condition; and (v) provision for impairment on property, plant and equipment.

PROSPECT

Expansion of Restaurant Network

The Group will continue to expand its restaurant network in the PRC under the brands of Faigo, Xiao Faigo Hotpot and Hong Yuanwai. In 2019, the Group plans to open about 14 restaurants in first and second tier of cities in the PRC according to the expansion plan previously disclosed in the resumption circular. The Group will tailor the tastes and prices of its dishes to the customers in different geographic areas.

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.

Following the Resumption, we are principally engaged in the hotpot restaurant business and we own three brands in the PRC, namely *Faigo ("輝哥")*, *Xiao Faigo Hotpot ("小輝哥火鍋")* and *Hong Yuanwai ("洪員外")*. As at 31 December 2018, we owned and operated 99 restaurants in total in 20 cities in the PRC. As disclosed in the resumption circular, we aim to replicate the business models and expand the restaurant network to become the preferred hotpot restaurant chain offering quality foods and services in the PRC.

As at 31 December 2018, we had totally 7 restaurants under the brand *Faigo (“輝哥”)*. One new Faigo restaurant was opened in Hefei, Anhui Province in July, which is a joint venture that we own 70% of the share interest. We will continue to seek opportunities for opening more restaurants under the brand *Faigo (“輝哥”)* in other cities in the PRC.

As at 31 December 2018, we had totally 90 restaurants under the brand *Xiao Faigo Hotpot (“小輝哥火鍋”)* and 2 restaurants under the brand *Hong Yuanwai (“洪員外”)*.

Apart from the expansion plan, we will also continue to refine our current business operations to enhance our same-store sales growth and profitability. These enhancements will include but not limited to strengthening marketing efforts, developing new food products, optimizing workflow for better labor cost efficiency and incentivizing staff to further improve our service quality.

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2018, the Group recorded cash and bank balances (including restricted cash) amounting to approximately RMB51.6 million (2017 (Restated): approximately RMB60.4 million) and the net current liabilities value was approximately RMB53.5 million (2017 (Restated): approximately RMB25.2 million).

The net liabilities value per share of the Company was approximately RMB0.82 cents as at 31 December 2018 (2017 (Restated): net assets value per share of approximately RMB1.33 cents). The net liabilities/assets value per share was computed based on 4,476,238,151 and 3,789,375,000 shares in issue as at 31 December 2018 and 2017 (Restated) respectively.

The Group’s gearing ratio as at 31 December 2018 was approximately 0.29 (2017 (Restated): nil), being a ratio of total debts, including borrowings and convertible bonds, of approximately RMB95.3 million (2017 (Restated): nil) to the total assets of approximately RMB323.5 million (2017 (Restated): approximately RMB388.9 million).

USE OF PROCEEDS FROM SHARE PLACING

On 2 May 2018, the Company and the placing agent entered into a placing agreement (the “Placing Agreement”) on a fully underwritten basis, to not less than six placees who and whose ultimate beneficial owners are independent third parties (the “Share Placing”).

The completion of Share Placing took place on 4 July 2018. An aggregate of 757,875,000 placing shares were placed at the placing price of HK$0.1025 per placing share pursuant to the terms and conditions of the Placing Agreement. The placing shares were issued under a specific mandate obtained at the extraordinary general meeting held on 28 May 2018. The net proceeds from the Share Placing (after deducting the expenses) were approximately HK$75.73 million. As previously disclosed in the circular of the Company dated 9 May 2018, the Company intended to apply the net proceeds of approximately HK$75.73 million from the Share Placing to expand and develop the business of the Group.

As at 31 December 2018, the Group utilised the net proceeds from the Share Placing as to approximately HK$16.28 million for the capital expenditure of 6 Xiao Faigo Hotpot and 1 Hong Yuanwai in Shanghai, Suzhou, Changsha, Xiamen and Nantong to expand and develop the business of the Group. The unutilised net proceeds have been placed as the interest bearing saving deposits with licensed banks in Hong Kong and the PRC. The Group plans to utilise the remaining proceeds from the Share Placing to open more restaurants under Faigo, Xiao Faigo Hotpot and Hong Yuanwai in order to expand and develop the business of the Group in the coming financial years as intended.

USE OF PROCEEDS FROM OPEN OFFER

On 2 May 2018, the Company and the underwriter entered into an underwriting agreement (the "Underwriting Agreement") pursuant to which the underwriter conditionally agreed to fully underwrite 101,050,000 offer shares (save for 64,167,662 offer shares subscribed by Global Courage Limited) at the offer price of HK$0.1025 per offer share on the basis of one offer share for every five Shares (the "Open Offer"). The Open Offer was completed on 4 July 2018. The net proceeds from the Open Offer (after deducting the expenses) were approximately HK$10.26 million. As previously disclosed in the circular of the Company dated 9 May 2018, the Company intended to apply the net proceeds of approximately HK$10.26 million from the Open Offer for general working capital.

As at 31 December 2018, the Group utilised the net proceeds from the Open Offer as to approximately HK$10.26 million for general working capital as intended, mainly used for the payment of professional expenses of approximately HK$9.71 million and directors' remuneration of the Group of approximately HK$0.55 million.

PLEDGE OF ASSETS

As at 31 December 2018, the Company had no charges on its assets (2017: Nil).

CHANGE OF DIRECTORS

With effect from 6 July 2018, Dr. Choi Chiu Fai Stanley and Mr. Choi Ka Wai have resigned and ceased to be executive Directors, and Mr. Szeto Tat Kwan and Mr. Fok Wai Ming Eddie have resigned and ceased to be independent non-executive Directors due to the change in control of the Company.

The appointments of Mr. Hung Shui Chak, Mr. So Kam Chuen, Mr. Chen Jun and Mr. Yuan Mingjie as executive Directors, and the appointments of Mr. Chan Chun Yiu Thomas and Mr. Mai Guangfan as independent non-executive Directors, took effect from 6 July 2018.

Mr. Su Guicai was appointed as an executive Director with effect from 10 August 2018, and has resigned as an executive Director with effect from 1 March 2019.

Mr. Mai Guangfan has resigned as an independent non-executive Director with effect from 1 March 2019.

Mr. Tam Bing Chung Benson has been appointed as an independent non-executive Director with effect from 1 March 2019.

CHANGE OF COMPANY NAME

As announced by the Company on 30 July 2018, the English and Chinese names of the Company have been changed to "Longhui International Holdings Limited" and "龍輝國際控股有限公司" respectively (the "Change of Company Name"). The Change of Company Name will not affect any right of the holders of the securities or the daily business operation or the financial position of the Company.

CHANGE OF STOCK SHORT NAME

As announced by the Company on 30 July 2018, the securities of the Company are traded on the Stock Exchange under the new stock short name of "LONGHUI INTL" in English and "龍輝國際控股" in Chinese with effect from 3 August 2018. The stock code of the Company remains as 1007.

CAPITAL STRUCTURE

During the year ended 31 December 2018, share consolidation of every two issued shares of par value HK$0.00001 each in the share capital of the Company into one share of par value HK$0.00002 each became effective on 29 May 2018. Following the implementation of the share consolidation, the board lot size for trading on the Stock Exchange has changed from 1,000 shares to 20,000 consolidated shares since 29 May 2018. Besides, (i) 3,789,375,000 consideration shares, (ii) 757,875,000 placing shares and (iii) 101,050,000 offer shares were allotted and issued on 4 July 2018 pursuant to (i) a conditional sale and purchase agreement dated 21 November 2016 (as amended and restated on 20 February 2017 and supplemented on 30 June 2017, 30 October 2017 and 2 May 2018) (the "Acquisition Agreement"), (ii) the Placing Agreement and (iii) the Open Offer respectively. Also, the 5-year zero coupon convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$129,470,312.50, which can be converted into a maximum of 1,263,125,000 conversion shares based on the initial conversion price of

HK$0.1025 per conversion share, were issued on 4 July 2018 by the Company pursuant to the terms of the Acquisition Agreement to satisfy part of the consideration for the Acquisition.

Save as disclosed above, the Company had no changes in capital structure during the year ended 31 December 2018.

SIGNIFICANT INVESTMENT AND ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 21 November 2016, the Company as purchaser entered into the Acquisition Agreement with independent potential investors for an acquisition of a new business which is primarily engaged in the operation of a hotpot restaurant business in the PRC at a consideration of HK$517,881,250. The Acquisition constituted a very substantial acquisition, connected transaction and was treated as a new listing application for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), therefore, subject to the approval of the Listing Committee of the Stock Exchange. On the same day, the Company entered into a conditional sale and purchase agreement (as amended and supplemented by a supplemental agreement dated 30 June 2017) (the "Disposal Agreement") with a purchaser for the disposal (the "Disposal") of Global Milk Products Pte. Ltd ("Global Milk"), a wholly-owned subsidiary which was incorporated in the Republic of Singapore, and its subsidiaries (the "Disposal Group") at a consideration of HK$1. The subsidiaries were incorporated in Singapore and the PRC. As the complete books and records of those subsidiaries could not be located or accessed, the financial statements of those subsidiaries have been de-consolidated from the consolidated financial information of the Group since the year ended 31 December 2011.

As announced by the Company on 4 July 2018, all the conditions precedent to the Acquisition as set out in the Acquisition Agreement had been fulfilled and the completion of the Acquisition (the "Acquisition Completion") took place on 4 July 2018. A total of 3,789,375,000 consideration shares were allotted and issued and the Convertible Bonds were issued to the vendors (or their nominees) on 4 July 2018. Upon Acquisition Completion, the target company has become a wholly-owned subsidiary of the Company and the financial results of the target group are consolidated into the financial statements of the Company.

As announced by the Company on 4 July 2018, all the conditions precedent to the Disposal as set out in the Disposal Agreement had been fulfilled and the completion of the Disposal (the "Disposal Completion") took place on 4 July 2018. Upon Disposal Completion, the Group has ceased to have any beneficial interest in any company in the Disposal Group, and all the companies in the Disposal Group have ceased to be subsidiaries of the Company.

EVENTS AFTER THE REPORTING PERIOD

Change of Directors

Mr. Su Guicai has resigned as an executive Director with effect from 1 March 2019.

Mr. Mai Guangfan has resigned as an independent non-executive Director with effect from 1 March 2019.

Mr. Tam Bing Chung Benson has been appointed as an independent non-executive Director with effect from 1 March 2019.

Change of Principal Place of Business in Hong Kong

The principal place of business of the Company in Hong Kong will be changed to Room 1502, 15/F., Lucky Building, 39 Wellington Street, Central, Hong Kong with effect from 1 April 2019.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2018, save as disclosed elsewhere in this announcement, the Group had no significant capital commitments.

FOREIGN CURRENCY RISK

Most of the Group's business transactions, assets and liabilities are denominated in Renminbi and settled in Renminbi, which are the functional currencies 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 Company as at 31 December 2018 was 3,057 (2017 (Restated): 2,826). 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.

NON-COMPLIANCE OF APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION" OF THE LISTING RULES

Given the circumstances that substantial portion of the books and records of Global Milk and the PRC Subsidiaries either could not be located or could not be accessed, no sufficient data available to compile the annual report and the interim report of the Company for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively published in 2018 so as to comply with the Appendix 16 "Disclosure of Financial Information" of the Listing Rules. The following information was omitted:

1. Details of commitments and contingent liabilities; and

2. Information in respect of major customers and major suppliers.

Save as disclosed above and elsewhere in this announcement, there was no other material breach of or non-compliance with applicable laws and regulations by the Group during 2018 that has a significant impact on the business and operations of the Group.

CONNECTED TRANSACTIONS

As disclosed in the circular of the Company dated 9 May 2018, the acquisition of a new business which is primarily engaged in the operation of a hotpot restaurant business in the PRC constituted connected transaction as Mr. Hung Shui Chak, one of the vendors to the Acquisition, would become a controlling shareholder and an executive director of the Company. As such, the transactions contemplated under the Acquisition were subject to the reporting, announcement and independent shareholders' approval under the Listing Rules. The Acquisition Completion took place on 4 July 2018.

Save as disclosed above and elsewhere in this announcement, the Company did not have any other connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2018.

PURCHASE, REDEMPTION OR SALE 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 financial year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with written terms of reference which are in line with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and the Audit Committee comprises three independent non-executive Directors.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018.

CORPORATE GOVERNANCE

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 of the Company as a whole. Thus, the Company adopted the principles and the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules.

During the year under review, the Company complied with the CG Code except for the deviation from the code provisions which are explained below.

Code Provision A.1.8

No insurance cover was arranged for the Directors because of the suspension in trading of the Company's shares during the year ended 31 December 2018 before the Resumption. Following the Resumption, directors' insurance has been arranged for each Director.

Code Provision A.2.1

Dr. Choi Chiu Fai Stanley was the chairman and the chief executive officer of the Company during the year ended 31 December 2018 before the Resumption. The then Board believed that vesting the roles of both chairman and chief executive officer in the same person provided the Company with strong and consistent leadership and allowed for effective and efficient planning and implementation of business decisions and strategies. The then Board considered that the structure of vesting the roles of chairman and chief executive officer in the same person would not impair the balance of power and authority between the Board and the management of the Company.

Following the Resumption, the role of the chairman of the Board is performed by Mr. Hung 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.

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Ha Kee Choy Eugene, an independent non-executive Director, is not appointed for a specific term as required under code provision A.4.1 but is subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's articles of association. Besides, Mr. Szeto Tat Kwan Brandon and Mr. Fok Wai Ming Eddie, the former independent non-executive Directors who resigned on 6 July 2018, were not appointed for a specific term as required under code provision A.4.1 but were subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

Code Provision A.6.7

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Ha Kee Choy Eugene, an independent non-executive Director, was unable to attend the extraordinary general meeting of the Company held on 4 July 2018 as he had another business engagement at the time of such meeting.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by directors. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. The Company has made specific enquiries of all Directors held offices during the year under review. All of them 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 year ended 31 December 2018.

EXTRACT OF INDEPENDENT AUDITORS' REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The following is an extract from the report issued by the Company's auditors, on the consolidated financial statements of the Group for the year ended 31 December 2018:

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

a) Comparative information

Our auditors' report on the consolidated financial statements of the Group for the financial year ended 31 December 2017 as contained in the annual report of the Company for that financial year (the "Prior Year's Consolidated Financial Statements") contained disclaimer of opinion as we were unable to obtain sufficient appropriate audit evidence in respect of: (a) opening balances and the comparative information; (b) departure from International Financial Reporting Standard ("IFRS") 10 "Consolidated Financial Statements"; (c) amount due to a deconsolidated subsidiary; (d) accrued expenses and other payables; (e) contingent liabilities and commitments; and (f) going concern basis of accounting. Details of these matters that led to us disclaiming opinion on the Prior Year's Consolidated Financial Statements are set out in our auditors' report dated 15 March 2018 contained in the annual report of the Company for the financial year ended 31 December 2017. Due to the fact that the Company's acquisition of the entire equity interest of Longhui International Catering Management Holdings Limited (the "Accounting Acquirer") on 4 July 2018 (see Notes 2.1 and 30 to the consolidated financial statements) was accounted for in the consolidated financial statements as reverse acquisition of the Company by the Accounting Acquirer (the "Reverse Acquisition") and that the Company had disposed of equity interests in Global Milk and its wholly-owned subsidiaries incorporated in the People's Republic of China (the "PRC") immediately prior to the completion date of the Reverse Acquisition, the matters that gave rise to our disclaimer of opinion on the Prior Year's Consolidated Financial Statements did not give rise to modification of our opinion on the accompanying consolidated financial statements for the current financial year ended 31 December 2018 except for the matters related to amount due to a deconsolidated subsidiary and accrued expenses and other payables, details of which are described in sub-paragraph (b) below. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the balances of amount due to the deconsolidated subsidiary and accrued expenses and other payables of the Company as at the completion date of the Reverse Acquisition and as at 31 December 2018 were free from material misstatement and any adjustments to these balances as at these dates that would be required may have consequential significant effects on the Company's (and hence the Group's) assets and liabilities as at these dates and hence the results and cash flows of the Group for the year ended 31 December 2018, and the presentation and disclosure thereof in the accompanying consolidated financial statements.

(b) Accrued expenses and other payables

As disclosed in note 30 to the consolidated financial statements, the Company acquired the entire equity interest in the Accounting Acquirer on 4 July 2018 (the "Acquisition Date") by issuing consideration shares and convertible bonds of the Company to the vendor, which resulted in the vendor owning 63.5% equity stake in the Company. The substance of the acquisition of the Accounting Acquirer was a reverse acquisition of the Company by the Accounting Acquirer. The Group recognised deemed listing expenses of approximately RMB399,670,000 upon the application of the Reverse Acquisition on the Acquisition Date. The deemed listing expenses were recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2018.

Due to the lack of complete books and records of the Company for the reasons explained in Note 2.1 to the consolidated financial statements and the inability of the Group to reconstruct the books and records of the Company, the directors of the Company considered that the Company did not have the necessary information about the transactions and account balances of the Company for inclusion in the accounts of the Company as at the Acquisition Date and as at 31 December 2018. On the Acquisition Date, the Group applied the Reverse Acquisition method of accounting and recognized 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 30 to the consolidated financial statements. 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 as explained in our auditors' report on the Prior Year's Consolidated Financial Statements related to 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 unknown other payables of the Company of approximately RMB15,182,000 as at 1 January 2018 comprised (i) RMB11,276,000 (equivalent to approximately HK$13,142,000) related to liabilities recognized by the Company in respect of the aggregate amounts of the debit balances of bank transactions of the Company as the directors of the Company were unable to locate complete books and records of bank accounts and whereabouts of these bank balances and cash; and (ii) RMB3,906,000 (equivalent to approximately HK$4,552,000) related to other payables that the directors of the Company have been unable to locate the relevant books and records. Due to the lack of complete books and records of the Company, the board of directors of the Company was unable to ascertain the completeness and recording accuracy of the Unknown Liabilities as at 1 January 2018 and the Acquisition Date. The nil balances of the Unknown Liabilities recognised by the Group on the Acquisition Date entered into the determination of the financial performance of the Group for the year ended 31 December 2018 and have carryforward effects on the closing balances of the assets and liabilities of the Group as at 31 December 2018. We have been unable to carry out alternative audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity and accuracy of not recognising any amount of the Unknown Liabilities upon application of the Reverse Acquisition and as at 31 December 2018; (ii) the validity, accuracy and completeness of the nil carrying amounts of the Unknown Liabilities at the Acquisition Date which were recognised by the Group in the consolidated financial statements as disclosed in note 30 to the consolidated financial statements and the carryforward effects on the closing balances of the assets and liabilities of the Group as at 31 December 2018; and (iii) the accuracy of the deemed listing expenses and hence as to whether the amount of the deemed listing expenses recognised as expense in the consolidated profit or loss was appropriate. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the nil Unknown Liabilities and the deemed listing expenses included in the consolidated financial statements as at the Acquisition Date and as at 31 December 2018 were free from material misstatements. Any adjustment found to be required may also have a consequential significant effect on the related expenses recognised in consolidated profit or loss and other elements presented in the consolidated financial statements and hence on the Group's loss, changes in equity and cash flows for the year ended 31 December 2018.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Basis for Disclaimer of Opinion section of our report above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept for the year ended 31 December 2018.

OTHER MATTERS

As explained in Note 2.1 to the consolidated financial statements, due to the application of the Reverse Acquisition method of accounting, the consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Accounting Acquirer and its subsidiaries, rather than of the Company and its subsidiaries. The comparative information presented in these consolidated financial statements is restated to be that of the Accounting Acquirer and its subsidiaries. The consolidated financial statements of the Accounting Acquirer and its subsidiaries for the year ended 31 December 2017 were audited by another auditors who expressed an unmodified opinion.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This 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 annual report will be despatched to the shareholders of the Company 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, 29 March 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Hung Shui Chak, Mr. So Kam Chuen, Mr. Yuan Mingjie and Mr. Chen Jun; and three independent non-executive Directors, namely Mr. Ha Kee Choy Eugene, Mr. Chan Chun Yiu Thomas and Mr. Tam Bing Chung, Benson.