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 2021

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 2021, together with comparative figures from the previous corresponding year.

FINANCIAL HIGHLIGHTS

	2021	2020	Changes
	RMB'000	*RMB'000*	*%*
Revenue	**162,883**	184,378	−11.7%
Net loss	**(34,245)**	(69,714)	−50.9%
Earnings before interest, tax, depreciation, amortisation, impairment and written-off (the "**Adjusted EBITDA**")	**22,023**	7,676	186.9%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Revenue	3	**162,883**	184,378
Foods and beverage and other materials consumables used		**(58,424)**	(84,501)
Employee benefit and related expenses		**(58,123)**	(66,205)
Property rentals and related expenses		**(13,548)**	(19,489)
Utilities expenses		**(4,078)**	(7,325)
Depreciation, amortisation, impairment and written-off of property, plant and equipment, right-of-use assets and intangible asset		**(51,605)**	(70,079)
Other operating expenses		**(16,104)**	(17,087)
Other income, other gains and losses, net	4	**9,417**	17,905
Loss from operating activities	5	**(29,582)**	(62,403)
Finance expenses, net	6	**(3,595)**	(6,595)
Loss before tax		**(33,177)**	(68,998)
Income tax expenses	7	**(1,068)**	(716)
Loss for the year		**(34,245)**	(69,714)
Loss attributable to:			
Owners of the Company		**(33,954)**	(69,058)
Non-controlling interest		**(291)**	(656)
		(34,245)	(69,714)
Loss for the year		**(34,245)**	(69,714)
Other comprehensive (loss)/income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(184)**	2,611
Total comprehensive loss for the year		**(34,429)**	(67,103)

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Total comprehensive loss attributable to:			
Owners of the Company		**(34,138)**	(66,447)
Non-controlling interest		**(291)**	(656)
		(34,429)	(67,103)
Loss per share	8		
— Basic *(RMB cent)*		**(5.50)**	(20.9)
— Diluted *(RMB cent)*		**(5.50)**	(20.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**2,898**	22,879
Right-of-use assets		**13,874**	48,778
Intangible asset		**—**	4
Prepayments, deposits and other receivables		**6,889**	10,494
Deferred tax assets		**24,333**	25,389
		47,994	107,544
Current assets			
Inventories		**12,658**	14,086
Trade receivables	10	**2,883**	2,269
Prepayments, deposits and other receivables		**24,792**	34,395
Cash and cash equivalents		**2,196**	3,177
		42,529	53,927
Total assets		**90,523**	161,471
Capital and reserves			
Share capital	11	**230**	109
Reserves		**(137,274)**	(147,837)
Equity attributable to owners of the Company		**(137,044)**	(147,728)
Non-controlling interest		**(1,637)**	(1,346)
Total equity		**(138,681)**	(149,074)

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Liabilities			
Non-current liabilities			
Lease liabilities		**15,198**	49,186
Convertible bonds		**3,178**	3,001
Deferred tax liabilities		**75**	116
		18,451	52,303
Current liabilities			
Trade payables	12	**29,551**	44,366
Other payables and accruals	13	**114,600**	145,235
Contract liabilities		**45,365**	47,822
Lease liabilities		**14,755**	16,976
Borrowings		**4,800**	3,000
Income tax payables		**1,682**	843
		210,753	258,242
Total liabilities		**229,204**	310,545
Total equity and liabilities		**90,523**	161,471
Net current liabilities		**(168,224)**	(204,315)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Longhui International Holdings Limited is a limited company incorporated in the Cayman Islands on 15 October 2009. According to the register of substantial shareholders maintained by the Company at 31 December 2021, Shui Chak Group Limited ("**Shui Chak Group**") is the substantial corporate shareholder 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 in Hong Kong is Suite 301, 3/F., Hale Weal Industrial Building, 22–28 Tai Chung Road, Tsuen Wan, New Territories.

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 statements has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and by the Hong Kong Companies Ordinance. The consolidated 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 RMB as the presentation currency best suits the needs of the shareholders and investors.

The consolidated financial statements as at and for the year ended 31 December 2021 comprise the Group.

Going concern basis

The Group incurred a net loss of approximately RMB34,245,000 (2020: RMB69,714,000) for the current year and net current liabilities of approximately RMB168,224,000 (2020: RMB204,315,000) as at 31 December 2021. The cash and cash equivalent balance amounted to approximately RMB2,196,000 (2020: RMB3,177,000) as at 31 December 2021. These circumstances may cast significant doubt on the Group's ability to continue as a going concern.

During the year, the Directors have taken various measures with an aim to improve the Group's liquidity position. The Directors have prepared a cash flow forecast of the Group for the next twelve months from the date of approval of the consolidated financial statements based on the existing situation, the future events and commitments of the Group. The Directors considered that the Group will have adequate working capital to meet its obligations, therefore the consolidated financial statements of the Group have been prepared under a going concern basis. Measures and estimations have been taken into consideration by the Directors, including but not limited to:

(i) 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;

(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 underperforming restaurants in the future;

(iv) negotiating with the landlords for rent concessions due to the reduced number of customers as overshadowed by the outbreak of coronavirus ("**COVID 19**");

(v) the Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

Notwithstanding the above, given the outbreak of COVID-19 and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the Group be unable to continue its business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

2.2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

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

IFRS 17	Insurance Contracts and the related Amendment[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to IFRS Standards	Annual Improvements to IFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

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 2021										
	Faigo				Xiao Faigo Hotpot					Unallocated	Total
	Shanghai	Beijing	Others	Subtotal	Shanghai	Beijing	Wuxi	Others	Subtotal		
Revenue	**81,440**	**—**	**1,850**	**83,290**	**62,779**	**—**	**6,631**	**10,183**	**79,593**	**—**	**162,883**
Depreciation, amortisation, impairment and written-off of property, plant and equipment, right-of-use assets and intangible asset	**18,439**	**—**	**1,967**	**20,406**	**26,252**	**—**	**2,349**	**2,598**	**31,199**	**—**	**51,605**
Profit/(loss) from operating activities	**4,056**	**—**	**(673)**	**3,383**	**(17,902)**	**—**	**(2,317)**	**(2,355)**	**(22,574)**	**(10,391)**	**(29,582)**
Profit/(loss) before income tax	**2,907**	**—**	**(815)**	**2,092**	**(19,734)**	**—**	**(2,331)**	**(2,552)**	**(24,617)**	**(10,652)**	**(33,177)**

	Year ended 31 December 2020										
	Faigo				Xiao Faigo Hotpot					Unallocated	Total
	Shanghai	Beijing	Others	Subtotal	Shanghai	Beijing	Wuxi	Others	Subtotal		
Revenue	72,769	2,692	2,346	77,807	77,133	3,684	9,688	16,066	106,571	—	184,378
Depreciation, amortisation, impairment and written-off of property, plant and equipment, right-of-use assets and intangible asset	15,328	2,912	2,750	20,990	41,764	1,223	1,456	4,620	49,063	26	70,079
Profit/(loss) from operating activities	5,866	(146)	(2,009)	3,711	(47,012)	2,280	(6,898)	(6,034)	(57,664)	(8,450)	(62,403)
Profit/(loss) before income tax	3,970	(748)	(2,176)	1,046	(50,002)	2,140	(6,966)	(6,509)	(61,337)	(8,707)	(68,998)

(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	
	2021	2020	**2021**	2020
The PRC	**162,883**	184,378	**47,994**	107,544

(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 year ended 31 December 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:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major product lines		
— Hotpot business	**162,883**	184,378

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

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2021	2020
	RMB'000	*RMB'000*
Government grants *(note (a))*	**1,019**	570
Gain on lease modification	**3,908**	12,186
Reversal of allowance for/(allowance for) expected credit loss on trade and other receivables	**1,575**	(1,027)
Covid-19 related rental concession	**1,808**	4,325
Gain/(loss) on disposal of property, plant and equipment	**205**	(706)
Others *(note (b))*	**902**	2,557
	9,417	17,905

Notes:

(a) The amounts RMB1,019,000 (2020: RMB234,000) represent the subsidies received from PRC governments for the Group's local business developments during the year ended 31 December 2021. During the year ended 31 December 2020, RMB336,000 (equivalents to HK$378,000) in respect of COVID-19 Employment Support Scheme provided by the Hong Kong government. There were no unfulfilled conditions in the years in which they were recognised.

(b) Others mainly included the tips income.

5. LOSS FROM OPERATING ACTIVITIES

	2021 *RMB'000*	2020 *RMB'000*
Loss from operating activities has been arrived at after charging/(crediting):		
Directors' emoluments[3]		
— Fees	**1,169**	1,385
— Retirement benefits scheme contributions	**—**	—
Employment share based payment expenses[3]		
— Director	**693**	—
— Employee	**2,506**	—
Depreciation of property, plant and equipment[4]	**7,583**	13,628
Amortisation of intangible asset[4]	**4**	96
Amortisation of right-of-use assets[4]	**22,231**	42,598
Impairment of property, plant and equipment[4]	**11,358**	3,709
Impairment of right-of-use assets[4]	**7,660**	7,344
Written off on properties, plant and equipment[4]	**2,769**	2,704
Short-term lease payment	**437**	14
Low-value asset lease payment	**351**	933
(Reversal of allowance for)/allowance for expected credit loss on trade and other receivables[1]	**(1,575)**	1,027
(Gain)/loss on disposal of property, plant and equipment[1]	**(205)**	706
Cleaning fee[2]	**1,633**	1,444
Auditors' remuneration[2]	**1,200**	1,600
Transportation expenses[2]	**1,141**	1,634
Promotion and marketing expenses[2]	**1,269**	3,573
Repair and maintenance fee[2]	**2,032**	4,533
Legal and professional fee[2]	**3,913**	4,140
Foreign exchange gain	**(22)**	(15)

1 These items were included under "other income, other gains and losses, net".

2 These items were included under "other operating expenses".

3 These items were included under "employee benefits and related expenses".

4 These items were included under "depreciation, amortisation, impairment and written off of property, plant and equipment, right-of-use assets and intangble assets".

6. FINANCE EXPENSES, NET

	2021	2020
	RMB'000	*RMB'000*
Finance income:		
— Interest income on cash and cash equivalents	**8**	14
Finance expenses:		
— Imputed interest on convertible bonds	**(260)**	(257)
— Interest expense on borrowings	**(142)**	(104)
— Interest expense on lease liabilities	**(3,201)**	(6,248)
	(3,603)	(6,609)
Finance expenses, net	**(3,595)**	(6,595)

7. INCOME TAX EXPENSES

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

	2021	2020
	RMB'000	*RMB'000*
PRC Enterprise Income tax		
— Current tax	**54**	—
— Over provision in prior years	**—**	(3)
Deferred tax	**1,014**	719
Income tax expenses	**1,068**	716

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

Loss:

	2021	2020
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**33,954**	69,058

	2021	2020
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**617,148,208**	330,563,109

The weighted average number of ordinary shares of 617,148,208 (2020: 330,563,109) in issue during the year, as adjusted to reflect the effect of the share consolidation and the rights issue.

For the years ended 31 December 2021 and 2020, the computation of diluted loss per share does not assume that the conversion of the outstanding convertible bonds and share options, since their conversion would result in a decrease in loss per share.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

10. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**5,090**	5,145
Less: Allowance for expected credit loss	**(2,207)**	(2,876)
	2,883	2,269

As at 31 December 2021 and 2020, the fair values of the trade receivables of the Group approximated their carrying amounts.

The ageing analysis of trade receivables, based on the invoice date and net of allowance for expected credit loss, were as follows:

	2021	2020
	RMB'000	*RMB'000*
0–30 days	**2,490**	1,726
31–90 days	**1**	134
91–180 days	**386**	319
181–360 days	**6**	90
	2,883	2,269

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 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.

11. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount HK$'000	Amount RMB'000
Authorised			
As at 1 January 2020, 31 December 2020 and 1 January 2021 of HK$0.00002 each	19,000,000,000	380	306
Share consolidation *(note a)*	(18,050,000,000)	—	—
As at 31 December 2021 of HK$0.0004 each	950,000,000	380	306

	Number of shares	Amount in HK$'000	Amount in RMB'000
Issued and fully paid			
As at 1 January 2020, 31 December 2020 and 1 January 2021	6,373,602,437	128	109
Share consolidation *(note a)*	(6,054,922,316)	—	—
Issue of share upon rights issue *(note b)*	318,680,121	127	106
Exercise of share option under share option scheme *(note c)*	44,615,200	18	15
As at 31 December 2021	681,975,442	273	230

Note:

(a) Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 12 January 2021, every twenty issued and unissued shares of HK$0.00002 each were consolidated into one consolidated share of the Company of HK$0.0004 each with effect on 14 January 2021 (the "**Share Consolidation**").

(b) On 22 February 2021, the Company completed a rights issue (the "**Rights Issue**") on the basis of one rights share for every one share held on 26 January 2021 at the subscription price of HK$0.142 per rights share and allotted and issued 318,680,121 shares. Gross Rights Issue proceeds of HK$45,253,000, of which HK$127,000 was credited against share capital and the remaining proceeds of HK$44,250,000 after offsetting the share issuance costs of HK$876,000 were credited against the share premium account.

(c) On 6 September 2021, 44,615,200 ordinary shares (the "**Share(s)**") were issued in relation to exercise of share options (the "**Share Option**") under the share option scheme approved and adopted by the Company on 2 June 2021 (the "**Share Option Scheme**").

12. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**29,551**	44,366

The credit period on trade payables is generally 30–180 days.

As at 31 December 2021 and 2020, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	2021	2020
	RMB'000	*RMB'000*
0–30 days	**4,893**	7,145
31–90 days	**5,489**	8,144
91–180 days	**8,444**	15,221
181–360 days	**5,580**	7,387
Over 1 year	**5,145**	6,469
	29,551	44,366

As at 31 December 2021 and 2020, the carrying amount of the Group's trade payables were denominated in RMB.

13. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	*RMB'000*
Staff costs and welfare accruals	**52,126**	57,836
Leasehold improvements payable	**2,059**	11,898
Payable to payroll related services	**1,028**	3,606
Rental payable	**7,489**	5,320
Legal and professional fee	**9,536**	10,153
Utility payable	**212**	501
Business tax and other tax liabilities	**2**	99
Amounts due to related parties	**1,149**	1,149
Amounts due to former shareholders	**23,228**	23,859
Amounts due to the controlling shareholder	**1,634**	—
Loans from independent third parties	**15,856**	28,200
Others	**281**	2,614
	114,600	145,235

14. COMMITMENTS

Capital commitments

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

	2021	2020
	RMB'000	*RMB'000*
Property, plant and equipment	—	4,346

15. CONTINGENT LIABILITIES

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

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

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

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

With the legal advice provided to the Company, according to Section 4(1)(a) of 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, if the amount was created under simple contract, the payment obligation is expired as at 31 December 2019, if the liabilities was created under deed, the payment obligations will be expire as at 31 December 2025.

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

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

16. EVENTS AFTER REPORTING PERIOD

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

17. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's consolidated financial statement for the year ended 31 December 2021:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by the IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB34,245,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB168,224,000. As stated in Note 2.1 to the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

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 those under the brand of Xiao Faigo Hotpot ("小輝哥火鍋") are mainly middle-income group.

The Group specializes in seafood hotpot cuisine with a signature menu which is characterised 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.

In 2020, the Group continued to rank among the Top 20 Hotpot Restaurants in China 2020 (《2020中國火鍋Top 20》) in the Annual Report on Catering Industry of China in 2020 (《2020中國餐飲業年度報告》) co-published by China Hotel association and Xinhuanet.

Set forth below are certain key performance indicators of the restaurants operating under the brands of Xiao Faigo Hotpot ("小輝哥火鍋") and Hong Yuanwai ("洪員外") in different regions in the PRC. During the year ended 31 December 2021, the Group closed the restaurants operated under the brand of Hong Yuanwai ("洪員外") for better reallocation of resources.

	Year ended 31 December	
	2021	2020
Revenue *(in RMB'000)*		
Shanghai	**62,779**	77,133
Beijing	—	3,684
Wuxi	**6,631**	9,688
Other cities	**10,183**	16,066
Nationwide	**79,593**	106,571
Number of restaurants as at 31 December		
Shanghai	**10**	18
Wuxi	**1**	2
Other cities	**1**	4
Nationwide	**12**	24
Average number of customers per day per restaurant *(note 1)*		
Shanghai	**111**	92
Beijing	—	58
Wuxi	**117**	113
Other cities	**94**	74
Nationwide	**109**	89
Seat turnover rate per day per restaurant *(note 2)*		
Shanghai	**1.1**	0.9
Beijing	—	0.5
Wuxi	**1.2**	1.1
Other cities	**1.1**	0.8
Nationwide	**1.1**	0.9

	Year ended 31 December	
	2021	2020
Average daily revenue per restaurant *(in RMB'000) (note 3)*		
Shanghai	**11,874**	9,330
Beijing	**—**	7,659
Wuxi	**13,504**	12,681
Other cities	**10,072**	8,320
Nationwide	**11,724**	9,313
Average spending per customer *(in RMB'000) (note 4)*		
Shanghai	**107**	102
Beijing	**—**	132
Wuxi	**115**	112
Other cities	**107**	112
Nationwide	**108**	105

Notes:

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

2. Calculated as total customer traffic for the year divided by total restaurant operation days and average seating capacity per restaurant during the year.

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

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

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

	Year ended 31 December	
	2021	2020
Revenue *(in RMB'000)*		
Shanghai	**81,440**	72,769
Beijing	**—**	2,692
Other cities	**1,850**	2,346
Nationwide	**83,290**	77,807
Number of restaurants as at 31 December		
Shanghai	**4**	4
Other cities	**1**	1
Nationwide	**5**	5
Average number of customers per day per restaurant *(note 1)*		
Shanghai	**59**	57
Beijing	**—**	21
Other cities	**9**	11
Nationwide	**35**	33
Seat turnover rate per day per restaurant *(note 2)*		
Shanghai	**0.5**	0.5
Beijing	**—**	0.5
Other cities	**0.1**	0.2
Nationwide	**0.3**	0.3
Average daily revenue per restaurant *(in RMB'000) (note 3)*		
Shanghai	**55,781**	52,884
Beijing	**—**	14,875
Other cities	**5,068**	7,542
Nationwide	**32,208**	30,088
Average spending per customer *(in RMB'000) (note 4)*		
Shanghai	**939**	928
Beijing	**—**	709
Other cities	**567**	659
Nationwide	**925**	907

Notes:

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

2. Calculated as total customer traffic for the year divided by total restaurant operation days and average seating capacity per restaurant during the year.

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

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

2021 was a challenging year for the Group, the outbreak of COVID-19 pandemic continuously affected people's lives and catering industry. Although the control measures were taken by the local government effectively and the COVID-19 vaccination program was launched successfully in the PRC, the consumer sentiment still dropped materially as compared to pre-COVID. The Group responded rapidly to launch and actively promote takeaway services and re-examine the operating performance of all restaurants and close down 12 underperformed restaurants for better reallocation of resources. The Group expects that the COVID-19 pandemic will continue to impact the catering industry in the following months. Accordingly, the management will pay close attention to operate the restaurants and explore solutions to maintain the brand value

The 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 Group realizes that the reputation which takes years to build and protect can be ruined by one single food safety incident and therefore the Group 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. The relevant protocol was further strengthened during 2021 given that takeaway orders accounted for a larger proportion.

Looking forward to 2022 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 11.7% from approximately RMB184.4 million in 2020 to approximately RMB162.9 million in 2021. The outbreak of COVID-19 pandemic materially impacted the operations of the restaurants and the number of restaurants dropped from 29 to 17 as at 31 December 2021.

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 decreased by approximately 30.9% from approximately RMB84.5 million in 2020 to approximately RMB58.4 million in 2021, which was mainly due to the decrease in number of restaurants.

Employee benefit and related expenses

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

The employee benefit and related expenses decreased by approximately 12.2% from approximately RMB66.2 million in 2020 to approximately RMB58.1 million in 2021, mainly attributable to the closure of several restaurants. A portion of outsourcing staff were laid-off therefore labour outsourcing expenses decreased by approximately 16.4% from approximately RMB47.7 million in 2020 to approximately RMB39.9 million in 2021.

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

Property rentals and related expenses

Following the closure of those underperformed restaurants, the Group's property rentals and related expenses decreased by approximately 30.8% from approximately RMB19.5 million in 2020 to approximately RMB13.5 million in 2021.

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

The Group's depreciation, amortisation, impairment and written-off of property, plant and equipment, right-of-use assets and intangible asset decreased by approximately 26.4% from approximately RMB70.1 million in 2020 to approximately RMB51.6 million in 2021.

Following the closure of those underperformed restaurants during the year, the Group's impairment and written-off of property, plant and equipment and impairment of right-of-use assets amounted to approximately RMB14.1 million (2020: approximately 6.4 million) and approximately RMB7.7 million (2020: approximately 7.3 million) respectively in 2021.

Other operating expenses

The Group's other operating expenses, which mainly consist of professional service expenses; repair and maintenance fee; and promotion and marketing expenses, decreased by approximately 5.8% from approximately RMB17.1 million in 2020 to approximately RMB16.1 million in 2021, which was mainly attributable to the decrease in repair and maintenance fee resulted from closure of restaurants.

Other income, other gains and losses, net

The Group's other income, gains and losses, net decreased by approximately 47.5% from approximately RMB17.9 million in 2020 to approximately RMB9.4 million in 2021, which was mainly attributable to the decrease in both of gain on rental concession and gain on lease modification following the closure of those underperformed restaurants.

Finance expenses, net

The Group's finance expenses mainly represent interest expense on borrowings, imputed interest on convertible bonds and interest expense on lease liabilities.

The Group's net finance expenses decreased by approximately 45.5% from approximately RMB6.6 million in 2020 to approximately RMB3.6 million in 2021. The decrease was mainly attributable to the decrease in interest expense on lease liabilities following the closure of restaurants.

Loss for the year

Loss for the year attributable to owners of the Company for 2021 was approximately RMB34.0 million (2020: approximately RMB69.1 million). Basic loss per share for 2021 was approximately RMB5.50 cents (2020: approximately RMB20.9 cents). The decrease in loss for the period was mainly attributable to the closure of underperformed restaurants during the year, resulting in significant decrease in food and beverage and other materials consumable need, employee benefit and related expenses and property rentals, in response to the COVID-19 pandemic.

Adjusted EBITDA

The Company also assesses its operating performance based on the adjusted EBITDA as additional financial measures. The adjusted EBITDA for 2021 was approximately RMB22.0 million (2020: approximately RMB7.7 million), representing an increment of 186.9%.

PROSPECTS

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

The Group is also trying to develop a new style hotpot restaurant in the prime locations to achieve better operating performance. In the beginning of 2022, a hotpot restaurant with a new brand named "HUN" ("混") was opened in Shanghai. The hotpot restaurant was renovated in a more fashionable style with alcohol and beverage serving after dining hours in order to attract more customer traffic.

Targeting the High-End Segment

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

Inclusive of New Food Ingredients and Flavors

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

Growth of Delivery Business

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

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2021, the Group recorded cash and cash equivalents amounting to approximately RMB2.2 million (2020: approximately RMB3.2 million) and the net current liabilities value was approximately RMB168.2 million (2020: approximately RMB204.3 million).

The net liabilities value per share of the Company was approximately RMB0.22 as at 31 December 2021 (2020: approximately RMB0.45). The net liabilities value per share was computed based on 617,148,208 and 330,563,109 weighted average number of ordinary shares as at 31 December 2021 and 2020 respectively.

The Group's gearing ratio as at 31 December 2021 was approximately 0.09 (2020: approximately 0.04), being a ratio of total debts, including borrowings and convertible bonds, of approximately RMB8.0 million (2020: approximately RMB6.0 million) to the total assets of approximately RMB90.5 million (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 an aggregate of 318,680,121 ordinary Shares of HK$0.0004 each as rights shares at HK$0.142 per rights share on the basis of one rights share for every one Share held on 26 January 2021. The net proceeds from the Rights Issue (after deducting the expenses) were approximately HK$43.25 million. The net subscription price per rights share after deducting the related expenses of the Rights Issue was approximately HK$0.136. Further details were set out in the Company's announcements dated 27 October 2020, 17 November 2020, 8 December 2020, 12 January 2021 and 19 February 2021, the Company's circular dated 24 December 2020 and the Company's prospectus dated 27 January 2021.

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

	Intended use of the net proceeds *(HK$ million)*	**Amount of the net proceeds utilised as at 31 December 2021** *(HK$ million)*	**Balance of the net proceeds unutilised as at 31 December 2021** *(HK$ million)*
Repayment of the existing indebtedness of the Group from independent third parties	25.88	25.88	—
Repayment of bank loan	3.75	3.75	—
General working capital of the Group, including the rental payment of the Group's restaurants located in the PRC, staff costs and settlement of the Group's day-to-day operating expenses	13.62	13.62	—
Total	43.25	43.25	—

PLEDGE OF ASSETS

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

CHANGE OF DIRECTORS

Mr. Johnson Wan has resigned as an independent non-executive Director with effect from 31 August 2021.

Mr. Shum Kei Yiu Daniel has been appointed as an independent non-executive Director with effect from 31 August 2021.

CAPITAL STRUCTURE

On 14 January 2021, the Company implemented 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) Share held on 26 January 2021.

On 6 September 2021, the Company allotted and issued 44,615,200 Shares pursuant to the exercise of the Share Options.

Save as disclosed, the Company had no changes in capital structure during the year ended 31 December 2021.

Subsequent to the year end, on 21 January 2022, the Company alloted and issued 19,120,800 Shares pursuant to the exercise of the Share Options.

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 falling to be allotted and issued upon conversion of the Convertible Bonds shall be adjusted as follows:

	Immediately before the effective of the Share Consolidation		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	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:

	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	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 of the Group, which would have been required to be disclosed under the Listing Rules for the year ended 31 December 2021.

CONTINGENT LIABILITIES

The Company acquired the entire equity interest in the Longhui International Catering Management Limited on 4 July 2018 was accounted for in the consolidated financial statements as 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.

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

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

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, if the amount was created under simple contract the payment obligation is expired as at 31 December 2019, if the liabilities was created under deed, the payment obligations will be expired as at 31 December 2025.

Besides, the Company had entered into a debt assignment agreement with 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.

CAPITAL COMMITMENTS

As at 31 December 2021, save as disclosed elsewhere in this announcement, the Group had no other 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 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 31 December 2021 was 429 (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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

There was no material breach of or non-compliance with applicable laws and regulations by the Group during 2021 that has a significant impact on the business and operations of the Group.

CONNECTED TRANSACTIONS

Save as disclosed, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2021.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders of the Company (the "**Shareholder(s)**") as a whole. Thus, the Company adopted the principles and the code provisions of the Corporate Governance Code that were in force during the year as set out in Appendix 14 to the Listing Rules as its code of corporate governance (the "**CG Code**").

Throughout the year, the Company has applied the principles and complied with the applicable code provisions set out in 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.

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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by directors (the "**Required Standard of Dealings**"). The prohibitions on securities dealing and disclosure requirements in the Required Standard of Dealings also apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group.

All Directors have confirmed, following the specific enquiry by the Company, that they complied with the Required Standard of Dealings throughout the year ended 31 December 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference which are in line with the CG Code 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 2021 with the management and the external auditor, and was of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that the adequate disclosures have been made.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year as set out in this announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 30 March 2022

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