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LONGHUI INTERNATIONAL HOLDINGS LIMITED

龍輝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Longhui International Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024, together with comparative figures from the previous corresponding period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	29,403	44,965
Foods and beverage and other materials consumables used		(8,999)	(15,293)
Employee benefits and related expenses	4	(15,240)	(18,682)
Property rentals and related expenses		(2,511)	(3,538)
Utilities expenses		(874)	(883)
Depreciation and write-off of property, plant and equipment and right-of-use assets		(2,905)	(3,318)
Other operating expenses		(3,646)	(3,845)
Other income, other gains and losses, net		342	128
		<hr/>	<hr/>
Loss from operating activities	5	(4,430)	(466)
Finance expenses, net		(1,187)	(1,886)
		<hr/>	<hr/>
Loss before tax		(5,617)	(2,352)
Income tax credit	6	—	27
		<hr/>	<hr/>
Loss for the period		(5,617)	(2,325)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the period attributable to:			
Owners of the Company		(5,617)	(2,272)
Non-controlling interest		—	(53)
		<hr/>	<hr/>
		(5,617)	(2,325)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the period			
Other comprehensive loss, net of income tax		(5,617)	(2,325)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(1,787)	(1,859)
		<hr/>	<hr/>
Total comprehensive loss for the period		(7,404)	(4,184)
		<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Total comprehensive loss attributable to:		
Owners of the Company	(7,404)	(4,131)
Non-controlling interest	<u>—</u>	<u>(53)</u>
	<u>(7,404)</u>	<u>(4,184)</u>
Loss per share	7	
— Basic (RMB)	<u>(0.05)</u>	<u>(0.02)</u>
— Diluted (RMB)	<u>(0.05)</u>	<u>(0.02)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Assets			
Non-current assets			
Property, plant and equipment		107	111
Right-of-use assets	9	15,312	16,135
Prepayments, deposits and other receivables	11	3,060	3,416
		18,479	19,662
Current assets			
Inventories		13,026	13,645
Trade receivables	10	1,011	1,366
Prepayments, deposits and other receivables	11	7,502	7,800
Cash and cash equivalents		28,124	2,928
		49,663	25,739
Total assets		68,142	45,401
Equity			
Capital and reserves			
Share capital	12	595	358
Reserves		(169,564)	(188,849)
Deficiency attributable to owners of the Company		(168,969)	(188,491)
Non-controlling interest		(2,211)	(2,211)
Capital deficiency		(171,180)	(190,702)

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	9	<u>15,778</u>	<u>17,828</u>
		<u>15,778</u>	<u>17,828</u>
Current liabilities			
Trade payables	13	25,880	27,889
Other payables and accruals	14	144,192	134,993
Contract liabilities		39,230	40,797
Lease liabilities	9	9,842	11,596
Borrowings		<u>4,400</u>	<u>3,000</u>
		<u>223,544</u>	<u>218,275</u>
Total liabilities		<u><u>239,322</u></u>	<u><u>236,103</u></u>
Total equity and liabilities		<u><u>68,142</u></u>	<u><u>45,401</u></u>
Net current liabilities		<u><u>(173,881)</u></u>	<u><u>(192,536)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

Longhui International Holdings Limited is a limited company incorporated in the Cayman Islands on 15 October 2009, and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). According to the register of substantial shareholders maintained by the Company as at 30 June 2024, Shui Chak Group Limited (“**Shui Chak Group**”) is the substantial corporate shareholder of the Company. The ultimate controlling party of Shui Chak Group 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 6/F., Queen’s Road Centre, 152 Queen’s Road Central, Central, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are engaged in restaurant operation located in the People’s Republic of China (the “**PRC**”).

The condensed consolidated financial statements have been reviewed by the Company’s audit committee. It has also been approved for issue by the Board on 30 August 2024.

2.1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The condensed consolidated financial statements for the six months ended 30 June 2024 comprise the Group.

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

Going concern basis

The Group incurred a net loss of RMB5,617,000 for the six months ended 30 June 2024 and, as of that date, the Group had net current liabilities and net liabilities of RMB173,881,000 and RMB171,180,000 respectively. As at 30 June 2024, the Group had total borrowings of RMB30,677,000 include borrowings, amount due to an ultimate controlling shareholder and amount due to independent third parties of RMB4,400,000, RMB1,879,000 and RMB24,398,000 respectively, all of which were recorded under current liabilities, while the Group had cash and cash equivalents of RMB28,124,000. These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

During the period, 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 condensed 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 condensed consolidated financial statements of the Group have been prepared under a going concern basis. Measures taken by the Directors include but are not limited to:

- (i) the ultimate substantial shareholder of the Company has agreed to provide continuous financial support to the Group to enable it to meet its obligations when due;
- (ii) negotiating with Group's principal bank 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; and
- (iv) the Group has completed the placing of new shares with net proceeds of RMB26,926,000.

Notwithstanding the above, material uncertainty exists as to whether the Group will be able to continue as a going concern which would depend upon (i) the successful implementation of cost control measures and business plans to improve the Group's operating results and cash flows; (ii) the receipt of additional sources of financing from the ultimate substantial shareholder and external lenders as and when needed; and (iii) the successful of carrying out fund raising activities to obtain financial resources as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying amounts of its assets to their recoverable amounts, 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 condensed consolidated financial statements.

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

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies, methods of computation and presentation used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023, except for those noted in Note 2.2 below.

2.2. APPLICATION OF AMENDMENTS TO IFRSs

(A) Amendments to IFRSs adopted by the Group

In the current interim period, the Group has applied the following new and 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 2024 for the preparation of the condensed consolidated financial statements:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

(B) Amendments to IFRSs issued but not yet adopted by the Group

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

	Effective for accounting periods beginning on or after
Amendments to IAS 21 — Lack of Exchangeability	1 January 2025
IFRS 18 — Presentation and Disclosure of Financial Statements	1 January 2027

The Directors anticipate that the application of all amendments to IFRSs will not have material impact on the condensed consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

(A) Segment information

	Six months ended 30 June 2024 (Unaudited)							
	Faigo			Xiao Faigo Hotpot			Unallocated	Total
	Shanghai	Others	Subtotal	Shanghai	Wuxi	Subtotal		
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	21,568	—	21,568	7,835	—	7,835	—	29,403
Operating profit/(loss)	592	16	608	(1,595)	—	(1,595)	(3,443)	(4,430)
Profit/(loss) before tax	(258)	16	(242)	(1,923)	—	(1,923)	(3,452)	(5,617)
Depreciation and write-off of property, plant and equipment and right-of-use assets	(2,837)	—	(2,837)	(1)	—	(1)	(67)	(2,905)

	Six months ended 30 June 2023 (Unaudited)							
	Faigo			Xiao Faigo Hotpot			Unallocated	Total
	Shanghai	Others	Subtotal	Shanghai	Wuxi	Subtotal		
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	29,527	—	29,527	13,765	1,673	15,438	—	44,965
Operating profit/(loss)	3,594	(176)	3,418	(1,716)	1,720	4	(3,888)	(466)
Profit/(loss) before tax	2,700	(176)	2,524	(2,392)	1,567	(825)	(4,051)	(2,352)
Depreciation and write-off of property, plant and equipment and right-of-use assets	(1,066)	(91)	(1,157)	(1,541)	(603)	(2,144)	(17)	(3,318)

(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	
	Six months ended 30 June		As at 30 June	As at 31 December
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
The PRC	29,403	44,965	18,103	19,229
Hong Kong	—	—	376	433
	<u>29,403</u>	<u>44,965</u>	<u>18,479</u>	<u>19,662</u>

(C) Information about major customers

The Group's customer base is diversified. No individual customer (six months ended 30 June 2023: Nil) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2024.

(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 line is as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major product line		
— Hotpot business	<u>29,403</u>	<u>44,965</u>

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

4. EMPLOYEE BENEFITS AND RELATED EXPENSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Wages and salaries	4,058	5,609
Defined contribution retirement plan ^(note a)	768	855
Other social security costs and housing benefits	161	766
Other employee benefits	578	584
Labour outsourcing expenses ^(note b)	<u>9,675</u>	<u>10,868</u>
	<u>15,240</u>	<u>18,682</u>

Notes:

- (a) Employees of the Group established in the PRC are required to participate in a retirement benefit scheme administered and operated by the PRC government. The Group is required to contribute 26.66% to 28.02% (2023: 26.66% to 28.02%) of payroll costs as determined by respective local government authorities to the designated pension fund. The only obligation of the Group with respect to retirement benefits scheme is to make the specific contributions under the scheme.

- (b) The Group entered into certain human resources agency agreements. Pursuant to these agreements, the Group outsourced a portion of its low level positions, such as waiters or waitresses, kitchen assistants etc.

5. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities has been arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment ^{(note (a))}	23	341
Depreciation of right-of-use assets ^{(note (a))}	2,882	2,886
Write-off of property, plant and equipment ^{(note (a))}	—	91
Short-term lease payments	397	136
Low-value asset lease payments	219	162
Allowance for expected credit loss on trade and other receivables ^{(note (b))}	16	360
Cleaning fee ^{(note (c))}	218	384
Transportation and travelling expenses ^{(note (c))}	303	466
Promotion and marketing expenses ^{(note (c))}	150	168
Repair and maintenance fee ^{(note (c))}	174	361
Legal and professional fee ^{(note (c))}	858	598
	<u>858</u>	<u>598</u>

Notes:

- (a) These items were included under “depreciation and write-off of property, plant and equipment and right-of-use assets”.
- (b) This item was grouped under “other income, other gains and losses, net”.
- (c) These items were grouped under “other operating expenses”.

6. INCOME TAX CREDIT

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deferred tax	—	27
Income tax credit	—	27
	<u>—</u>	<u>27</u>

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(5,617)</u>	<u>(2,272)</u>
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>107,109,680</u>	<u>99,155,458</u>

For the six months ended 30 June 2024 and 2023, the computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds and share options, since their conversion would result in a decrease in loss per share.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2024 (2023: RMB Nil).

9. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Right-of-use assets:		
Shops	12,373	14,388
Offices	2,050	398
Others	889	1,349
	<u>15,312</u>	<u>16,135</u>
	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Lease liabilities:		
Within one year	9,842	11,596
More than one year but not more than two years	3,683	5,403
More than two years but less than five years	9,230	8,048
More than five years	2,865	4,377
	<u>25,620</u>	<u>29,424</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(9,842)</u>	<u>(11,596)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>15,778</u>	<u>17,828</u>

The Group obtains right to control the use of various shops and offices for a period of time through lease arrangements. As at 30 June 2024, rental contracts are typically made for fixed periods of 2 to 8 years (2023: 2 to 8 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the six months ended 30 June 2024, total cash outflow for leases of approximately RMB6,941,000 (six months ended 30 June 2023: RMB8,800,000) was included in net cash used in financing activities.

10. TRADE RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade receivables	3,828	4,125
Less: Allowance for expected credit loss	<u>(2,817)</u>	<u>(2,759)</u>
	<u><u>1,011</u></u>	<u><u>1,366</u></u>

As at 30 June 2024 and 31 December 2023, the fair values of the trade receivables of the Group approximated their carrying amount.

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
0 to 30 days	677	1,276
31 to 90 days	259	7
91 to 180 days	28	19
181 to 360 days	<u>47</u>	<u>64</u>
	<u><u>1,011</u></u>	<u><u>1,366</u></u>

The Directors consider trade receivables mainly derived from sales through shopping malls or billed settled with credit cards, WeChat Pay or Alipay, which are generally collectible within 1 month from sales date and without past due history.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Included in non-current assets:		
Lease deposits — non-current portion	<u>3,060</u>	<u>3,416</u>
Included in current assets:		
Lease and utilities prepayments	683	605
Raw materials procurement prepayments	231	280
Lease deposits — current portion	264	505
Value-added tax inputs	5,701	5,822
Staff advances	505	511
Other receivables and prepayments due from related parties	149	149
Others	255	256
Less: Allowance for expected credit loss	<u>(286)</u>	<u>(328)</u>
	<u><u>7,502</u></u>	<u><u>7,800</u></u>

12. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount HK\$'000	Amount equivalent to RMB'000
Authorised			
As at 1 January 2023, 31 December 2023 (Audited) and 30 June 2024 (Unaudited) of HK\$0.004 each			
	500,000,000	2,000	1,689
Issued and fully paid			
As at 1 January 2023 (Audited), ordinary shares of HK\$0.0004 each			
	98,109,624	392	332
Exercise of share options under share option scheme ^{(note (a))}			
	7,010,962	28	25
Conversion of convertible bonds ^{(note (b))}			
	252,281	1	1
As at 31 December 2023 and 1 January 2024 (Audited), ordinary shares of HK\$0.004 each			
	105,372,867	421	358
Placing of new shares ^{(note (c))}			
	63,220,000	253	237
As at 30 June 2024 (Unaudited), ordinary shares of HK\$0.004 each			
	168,592,867	674	595

Notes:

- (a) On 10 February 2023, 20 February 2023, 4 August 2023 and 28 December 2023, 701,096, 701,096, 2,804,384 and 2,804,386, respectively, ordinary shares were issued in relation to the exercise of share options under the share option scheme approved and adopted by the Company on 2 June 2021.
- (b) On 31 August 2023, the holders of the convertible bonds exercised the conversion right and the convertible bonds were converted into 252,281 ordinary shares of the Company of HK\$17.50 each. The conversion shares rank pari passu in all respects with the shares of the Company.
- (c) On 26 June 2024, the Company placed 63,220,000 new shares to not less than six places at the placing price of HK\$0.48 per placing share with total gross proceeds of HK\$30,345,000 (equivalent to RMB28,341,000) and the related issue expenses were HK\$1,517,000 (equivalent to RMB1,415,000).

13. TRADE PAYABLES

As at 30 June and 2024 and 31 December 2023, the aging analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
0 to 30 days	1,038	1,228
31 to 90 days	1,365	2,630
91 to 180 days	2,034	4,863
181 to 365 days	6,987	8,371
Over 1 years	14,456	10,797
	<u>25,880</u>	<u>27,889</u>

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Staff costs and welfare accruals	57,748	58,174
Leasehold improvements payable	5,671	5,671
Payable to payroll related services	3,390	1,766
Rental payable	13,887	13,962
Professional service expenses	8,456	8,279
Utility payable	88	88
Business tax and other tax liabilities	2	4
Amounts due to former shareholders	26,579	25,942
Amount due to an ultimate controlling shareholder	1,879	5,380
Amount due to a related party	1,149	1,149
Amounts due to independent third parties	24,398	14,259
Others	945	319
	<u>144,192</u>	<u>134,993</u>

15. EVENTS AFTER THE REPORTING PERIOD

On 2 August 2024, the Group entered into a non-legally binding memorandum of understanding with an independent third party in relation to the potential strategic cooperation in the areas of artificial intelligence technologies development and application, catering data collection, big data analysis and business intelligence and chipset development in relation to the catering segment.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

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

Revenue

For the six months ended 30 June 2024 (the “**Period**”), the Group’s revenue decreased by approximately 34.7% to approximately RMB29.4 million from approximately RMB45.0 million in the last corresponding period. The decrease was mainly due to decrease in customer flow impacted by unfavorable operating environment in the hotpot business and the Group has 9 restaurants (six months ended 30 June 2023: 11 restaurants) during the Period.

Foods and beverage and other materials consumables used

The Group’s foods and beverage and other materials consumables costs mainly represent the costs of food ingredients for the hotpot business, and were one of the largest components of the Group’s operating expenses. The foods and beverage and other materials consumables costs decreased by approximately 41.2% to approximately RMB9.0 million for the Period from approximately RMB15.3 million in the last corresponding period.

Employee benefits and related expenses

The Group’s employee benefits 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 benefits and related expenses decreased by approximately 18.7% to approximately RMB15.2 million for the Period from approximately RMB18.7 million in the last corresponding period, mainly attributable to the decrease in the number of restaurant as compared to the corresponding period in 2023.

Property rentals and related expenses

Following the decrease in number of restaurant, the Group’s property rentals and related expenses decreased by approximately 28.6% to approximately RMB2.5 million for the Period from approximately RMB3.5 million in the last corresponding period.

Depreciation and write-off of property, plant and equipment and right-of-use assets

Following the decrease in number of restaurant, the Group's depreciation and write-off of property, plant and equipment and right-of-use assets decreased by approximately 12.1% accordingly to approximately RMB2.9 million for the Period from approximately RMB3.3 million in the last corresponding period.

Other operating expenses

The Group's other operating expenses, which mainly consist of professional services fees; repair and maintenance; and transportation and travelling expenses, decreased by approximately 5.3% to approximately RMB3.6 million for the Period from approximately RMB3.8 million in the last corresponding period.

Other income, other gains and losses, net

The Group's other income, other gains and losses, net increased by approximately 200% to approximately RMB0.3 million for the Period from approximately RMB0.1 million in the last corresponding period.

Finance expenses, net

The Group's finance expenses, net mainly represent interest expense on borrowing, imputed interest on convertible bonds and interest expense on lease liabilities. The Group's net finance expenses decreased by approximately 36.8% to approximately RMB1.2 million for the Period from approximately RMB1.9 million in the last corresponding period.

Loss for the period

Loss for the period attributable to owners of the Company was RMB5.6 million (six months ended 30 June 2023: approximately RMB2.3 million). Basic loss per share for the Period was approximately RMB0.05 (six months ended 30 June 2023: approximately RMB0.02). The increase in loss for the Period was mainly attributable to the decrease in customer flow impacted by unfavorable operating environment in the hotpot business and the reduction in the number of restaurants.

PROSPECTS

In response to changing conditions in the PRC, the Group anticipates the seat turnover rate and average spending will gradually reverts to levels seen before recent challenges. Simultaneously, the Group is dedicated to implementing the cost-saving strategies and productivity enhancement strategy in the coming years to enhance shareholders of the Company (the "Shareholders").

Targeting the High-End Segment

Hotpot restaurant that primarily focus on meat as their main ingredient typically experience lower average customer expenditures compared to seafood-serving venues. Consequently, the hotpot restaurants are diversifying their menu offerings to appeal to diverse customer bases. This strategy involves integrating seafood into their hotpot selections, potentially drawing in more clientele from high-end markets.

Moreover, the Group remains dedicated to upholding a pleasant dining ambiance, offering attentive service, and sourcing high-quality fresh ingredients. These initiatives aim to retain and attract customers from high-income groups, crucial for bolstering revenue growth across our restaurants.

Inclusive of New Food Ingredients and Flavors

The hotpot dining experience is welcoming the introduction of new food ingredients. Unlike other cooking styles, hotpot is celebrated for its inclusivity, making it simple to integrate new food options. To sustain customer interest, hotpot restaurants are progressively receptive to introducing a variety of fresh food ingredients to their menus, surpassing conventional perceptions linked to hotpot cuisine.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2023: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2024, the Group recorded cash and bank balances amounting to approximately RMB28.1 million (31 December 2023: approximately RMB2.9 million) and the net current liabilities value was approximately RMB173.9 million (31 December 2023: approximately RMB192.5 million).

The net liabilities value per share of the Company was approximately RMB1.60 as at 30 June 2024 (31 December 2023: approximately RMB1.90). The net liabilities value per share was computed based on 107,109,680 and 100,587,278 weighted average number of ordinary shares as at 30 June 2024 and 31 December 2023 respectively.

The Group's gearing ratio as at 30 June 2024 was approximately 0.45 (31 December 2023: approximately 0.50), being a ratio of total debts, including borrowings, amount due to an ultimate controlling shareholder and amounts due to independent third parties of approximately RMB30.7 million (31 December 2023: approximately RMB22.6 million) to the total assets of approximately RMB68.1 million (31 December 2023: approximately RMB45.4 million).

USE OF PROCEEDS FROM PLACING OF SHARES

The Company completed a placing of shares on 26 June 2024, pursuant to which the Company has issued and allotted 63,220,000 shares of the Company (the “Shares”) at a subscription price of HK\$0.48 per placing share. The gross proceeds from the placing of shares was HK\$30.3 million (equivalent to approximately RMB28.3 million) and the net proceeds after deducting relevant expenses was approximately HK\$28.8 million (equivalent to approximately RMB26.9 million).

The intended and actual use of the net proceeds from the placing of shares is stated as below:

	Intended use of the net proceeds (HK\$ million)	Amount of the net proceeds utilised as at 30 June 2024 (HK\$ million)	Balance of the net proceeds unutilised as at 30 June 2024 (HK\$ million)
Repayment of the Group indebtedness and interest expenses	25.9	—	25.9
General working capital of the Group	2.9	(2.0)	0.9
	<u>28.8</u>	<u>(2.0)</u>	<u>26.8</u>

PLEDGE OF ASSETS

As at 30 June 2024, the Company had no charges on its assets (31 December 2023: Nil).

CAPITAL STRUCTURE

On 26 June 2024, the Company allotted and issued 63,220,000 Shares at the placing price of HK\$0.48 pursuant to the placing agreement dated 8 April 2024.

Save as disclosed, the Company had no changes in capital structure during the Period.

INVESTMENT POSITION AND PLANNING

Save as disclosed, there was no material acquisition or disposal of subsidiary and associated company or significant investments for the Period.

CONNECTED TRANSACTIONS

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

FOREIGN CURRENCY RISK

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

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2024 was 252 (31 December 2023: 272). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

CONTINGENT LIABILITIES

The Company acquired the entire equity interest in Longhui International Catering Management Holdings Limited (the "**Accounting Acquirer**") on 4 July 2018 (the "**Acquisition Date**"). The substance of the acquisition is a reverse acquisition of the Company by the Accounting Acquirer and as a result, the acquisition was accounted for in the condensed consolidated financial statements by applying the principles of reverse acquisition under IFRS 3 "Business Combinations".

On the Acquisition Date, the Group recognised the identifiable assets and liabilities of the Company, 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 de-consolidated subsidiary of approximately HK\$1,028,000 (equivalent to approximately RMB882,000) and unknown other payables of approximately HK\$17,694,000 (equivalent to approximately RMB15,182,000) (collectively, the "**Unknown Liabilities**").

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

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

The Directors considered that the origin of the Unknown Liabilities is unlikely to be created under a deed and among other reasons, given actions founded on simple contract shall not be brought after 6 years from the date on which the cause of actions accrued pursuant to the Hong Kong Limitation Ordinance (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 were 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 years ended 31 December 2012 and 2013, if the amounts were created under simple contract, the payment obligation is expired as at 31 December 2019, or if the liabilities were created under deed, the payment obligations will expire as at 31 December 2025.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 of the Listing Rules as follows:

Name of Director	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company ^(Note 2)
Mr. Hung Shui Chak	Interest of controlled corporation	52,842,462 (L) <i>(Note 1)</i>	—	52,842,462 (L)	31.34%
Mr. So Kam Chuen	Beneficial owner	948,233 (L)	—	948,233 (L)	0.56%
Mr. Yuan Mingjie	Beneficial owner	751,360 (L)	—	751,360 (L)	0.45%

(L): Long position

Notes:

1. These 52,842,462 shares were held by Shui Chak Group. Shui Chak Group was wholly-owned by Mr. Hung. Thus, Mr. Hung was deemed to be interested in the 52,842,462 shares held by Shui Chak Group pursuant to the SFO.
2. The percentage is calculated on the basis of 168,592,867 shares of the Company in issue as at 30 June 2024.

Save as disclosed above and so far is known to the Directors, as at 30 June 2024, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2024 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares, or underlying shares, or debentures, of the Company or its associated corporations (with the meaning of Part XV of the SFO).

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

As at 30 June 2024, the following persons or corporations (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

Name of shareholder	Capacity	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company ^(Note 2)
Shui Chak Group	Beneficial owner	52,842,462 (L) <i>(Note 1)</i>	—	52,842,462 (L)	31.34%

(L): Long position

Notes:

1. These 52,842,462 shares were held by Shui Chak Group. Shui Chak Group was wholly-owned by Mr. Hung. Thus, Mr. Hung was deemed to be interested in the 52,842,462 shares held by Shui Chak Group pursuant to the SFO.
2. The percentage is calculated on the basis of 168,592,867 shares of the Company in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, no other person (other than the Directors and the chief executive of the Company) held any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or according to the information available to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the “**Share Option Scheme**”) approved and adopted by the Shareholders at the annual general meeting of the Company held on 2 June 2021. Apart from the Share Option Scheme, the Company has no other share schemes currently in force.

During the Period, no share option of the Company (the “**Share Option(s)**”) was granted, exercised, cancelled or lapsed. As at 30 June 2024, the Company does not have any outstanding share options and there are no share available for issue by the Company under the Share Option Scheme.

The number of Shares that may be issued in respect of the Share Options and awards granted under the Share Option Scheme during the six months ended 30 June 2024 (i.e. nil Shares) divided by the weighted average number of Shares (i.e. 107,109,680 Shares) for the Period was 0%.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole.

During the Period, to the best knowledge of the Board, the Company has applied the principles and complied with all the applicable code provisions as out in the Corporate Governance Code to the Appendix C1 of the Listing Rules in force during the Period (the “**CG Code**”) except for the deviation as mentioned below.

Code Provision C.1.8

Pursuant to the code provision C.1.8 of the CG Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against the Directors. During the Period, the Company has not arranged for appropriate insurance cover in respect of legal action against its directors and the Company is in the course of arranging renewal of the Directors and Officers liability insurance with the insurance company in accordance with the requirement under the CG Code.

Code Provision C.2.1

Pursuant to the code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors are as follows:

Mr. Cheung Ting Pong, an independent non-executive Director, has been appointed as the vice chairman and chief executive office of Future Data Group Limited (“**Future Data**”) (stock code: 8229), a company listed on the GEM of the Stock Exchange. Mr. Cheung has also resigned as the joint company secretary of Future Date with effect from 17 April 2024.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors that is no less exacting than the required standard set out in the Model Code. After specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company's own code during the Period.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the “**Audit Committee**”) with written terms of reference in accordance with the CG Code. The main duties of the Audit Committee are, inter alia, (i) to review half-yearly and annual results of the Group; (ii) to review the risk management and internal control systems; (iii) to review the effectiveness of the internal audit function of the Company; (iv) to ensure the objectivity and credibility of the Company’s financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company; and (v) to review the coverage and effectiveness of the whistleblowing policy of the Company (the “**Whistleblowing Policy**”) and to investigate the reports submitted through the channels described in the Whistleblowing Policy.

As at the date of this announcement, the Audit Committee comprises all three independent non-executive Directors, namely Mr. Cheung Ting Pong (Chairman of the Audit Committee), Mr. Tam Bing Chung Benson and Mr. Shum Kei Yiu Daniel. The Audit Committee consists of three members comprising three independent non-executive Directors, at least one of whom with appropriate professional qualifications or accounting or related financial management expertise as required in the Listing Rules.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and confirmed that the preparation of such complied with applicable accounting standards and practices adopted by the Company, the requirements under the Listing Rules and other applicable statutory and regulatory requirements, and adequate disclosures had been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 30 August 2024

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.