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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, together with comparative figures from the previous corresponding year.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2023	2022	Changes
	RMB'000	*RMB'000*	*%*
Revenue	**82,273**	72,279	13.8%
Net loss	**(14,544)**	(62,690)	–76.8%
Earnings/(losses) before interest, tax, depreciation and written-off (the "**Adjusted EBITDA**")	**7,319**	(15,302)	147.8%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Revenue	3	**82,273**	72,279
Foods and beverage and other materials consumables used		**(27,757)**	(24,235)
Employee benefits and related expenses		**(37,964)**	(38,807)
Property rentals and related expenses		**(6,315)**	(11,835)
Utilities expenses		**(2,338)**	(2,402)
Depreciation, amortisation, impairment, and write-off of property, plant and equipment and right-of-use assets		**(18,041)**	(20,138)
Other operating expenses		**(7,633)**	(15,748)
Other income, other gains and losses, net	4	**7,053**	5,446
Loss from operating activities	5	**(10,722)**	(35,440)
Finance expenses, net	6	**(3,849)**	(2,959)
Loss before tax		**(14,571)**	(38,399)
Income tax credit/(expense)	7	**27**	(24,291)
Loss for the year		**(14,544)**	(62,690)
Loss for the year attributable to:			
Owners of the Company		**(14,355)**	(62,305)
Non-controlling interest		**(189)**	(385)
		(14,544)	(62,690)
Loss for the year		**(14,544)**	(62,690)
Other comprehensive loss, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**1,126**	(5,791)
Total comprehensive loss for the year		**(13,418)**	(68,481)

	Notes	2023 RMB'000	2022 RMB'000
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(13,229)**	(68,096)
Non-controlling interest		**(189)**	(385)
		(13,418)	(68,481)
Loss per share	8		
Basic (RMB cent)		**(14.3)**	(77.2)
Diluted (RMB cent)		**(14.3)**	(77.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**111**	398
Right-of-use assets		**16,135**	11,819
Intangible assets		**—**	—
Prepayments, deposits and other receivables	11	**3,416**	4,611
		19,662	16,828
Current assets			
Inventories		**13,645**	15,088
Trade receivables	10	**1,366**	1,955
Prepayments, deposits and other receivables	11	**7,800**	8,330
Cash and cash equivalents		**2,928**	1,701
		25,739	27,074
Total assets		**45,401**	43,902
Equity			
Capital and reserves			
Share capital	12	**358**	332
Reserves		**(188,849)**	(185,809)
Deficiency attributable to owners of the Company		**(188,491)**	(185,477)
Non-controlling interest		**(2,211)**	(2,022)
Capital deficiency		**(190,702)**	(187,499)

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Liabilities			
Non-current liabilities			
Lease liabilities		**17,828**	14,801
Deferred tax liabilities		**—**	26
		17,828	14,827
Current liabilities			
Trade payables	13	**27,889**	24,603
Other payables and accruals	14	**134,993**	128,751
Contract liabilities		**40,797**	40,244
Lease liabilities		**11,596**	14,196
Borrowings		**3,000**	5,000
Convertible bonds		**—**	3,780
		218,275	216,574
Total liabilities		**236,103**	231,401
Total equity and liabilities		**45,401**	43,902
Net current liabilities		**(192,536)**	(189,500)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company 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 31 December 2023, 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**").

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS Accounting 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 Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand ("**RMB'000**") except otherwise indicated. RMB is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars ("**HK$**"). The Directors consider the choosing RMB as the presentation currency best suits the needs of the shareholders (the "**Shareholders**") and investors.

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

Going concern basis

The Group incurred a net loss of approximately RMB14,544,000 during the year ended 31 December 2023 and, as of that date, the Group had net current liabilities and net liabilities of approximately RMB192,536,000 and approximately RMB190,702,000, respectively.

As at 31 December 2023, the Group had total borrowings of approximately RMB22,639,000, including borrowings, amount due to an ultimate controlling shareholder and amounts due to independent third parties of approximately RMB3,000,000, RMB5,380,000 and RMB14,259,000 respectively, all of which were recorded under current liabilities, while the Group had cash and cash equivalents of approximately RMB2,928,000. 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 that it maybe unable to realise its assets and discharge its liabilities in the normal course of business.

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 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 meets its obligations when due;

(ii) negotiating with the 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 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, 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 consolidated financial statements.

2.2 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

(a) Application of new and amendments to IFRSs

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 2023 for the preparation of the consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impact on application of amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has adopted Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" for the first time in the current year. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases.

Prior to the adoption of Amendments to IAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of IAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of IAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to IAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 31 December 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to IAS 12 qualify for offsetting under paragraph 74 of IAS 12. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

(b) Amendments to IFRSs in issue but 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:

	Effective for accounting periods beginning on or after
Amendments to IAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 — Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

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

3. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the Company's chief operating decision maker (the "**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 Xiao Faigo Hotpot in Shanghai and Wuxi. 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, operating results and loss before tax. Loss before tax is measured consistently with operating results except that finance income and finance expenses are excluded from such measurement. 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. Other gains/losses including government grants are not allocated to segments, as these types of activities 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 and results

Year ended 31 December 2023

	Faigo			Xiao Faigo Hotpot					
	Shanghai *RMB'000*	**Others** *RMB'000*	**Subtotal** *RMB'000*	**Shanghai** *RMB'000*	**Wuxi** *RMB'000*	**Others** *RMB'000*	**Subtotal** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Revenue	**56,010**	**—**	**56,010**	**24,590**	**1,673**	**—**	**26,263**	**—**	**82,273**
Operating profit/(loss)	**4,220**	**1,527**	**5,747**	**(8,342)**	**70**	**(1,909)**	**(10,181)**	**(6,288)**	**(10,722)**
Profit/(loss) before tax	**1,631**	**1,527**	**3,158**	**(9,385)**	**39**	**(1,908)**	**(11,254)**	**(6,475)**	**(14,571)**
Depreciation, amortisation, impairment, and write-off of property, plant and equipment and right-of-use assets	**(8,255)**	**—**	**(8,255)**	**(8,563)**	**(693)**	**—**	**(9,256)**	**(530)**	**(18,041)**
Finance income	**12**	**—**	**12**	**—**	**—**	**1**	**1**	**2**	**15**
Finance expenses	**(2,601)**	**—**	**(2,601)**	**(1,043)**	**(31)**	**—**	**(1,074)**	**(189)**	**(3,864)**
Addition to non-current assets	**20,286**	**364**	**20,650**	**2,169**	**140**	**—**	**2,309**	**519**	**23,478**

Year ended 31 December 2022

	Faigo			Xiao Faigo Hotpot					
	Shanghai *RMB'000*	Others *RMB'000*	Subtotal *RMB'000*	Shanghai *RMB'000*	Wuxi *RMB'000*	Others *RMB'000*	Subtotal *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	43,824	1,324	45,148	21,964	3,747	1,420	27,131	—	72,279
Operating loss	(14,177)	(515)	(14,692)	(6,239)	(1,769)	(115)	(8,123)	(12,625)	(35,440)
Loss before tax	(15,262)	(630)	(15,892)	(7,551)	(1,769)	(275)	(9,595)	(12,912)	(38,399)
Depreciation, amortisation, impairment, and write-off of property, plant and equipment and right-of-use assets	(13,011)	(65)	(13,076)	(6,507)	(249)	(306)	(7,062)	—	(20,138)
Finance income	7	—	7	5	—	—	5	5	17
Finance expenses	(1,092)	(115)	(1,207)	(1,317)	—	(160)	(1,477)	(292)	(2,976)
Addition to non-current assets	8,651	—	8,651	7,968	2,415	179	10,562	—	19,213

The CODM makes decision according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(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**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**82,273**	72,279	**19,229**	16,828
Hong Kong	**—**	—	**433**	—
	82,273	72,279	**19,662**	16,828

(C) Information about major customers

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

The Group's customer base is diversified. No individual customer had transactions which exceeded 10% of the Group's aggregate revenue for the years ended 31 December 2023 and 2022.

(D) Disaggregation of revenue

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major product line		
— Hotpot business	**82,273**	72,279

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

	2023	2022
	RMB'000	*RMB'000*
Government grants *(note (a))*	**—**	255
Gain on lease modification	**6,015**	946
Allowance for expected credit loss on trade and other receivables	**(267)**	(221)
Gain on disposal of property, plant and equipment	**144**	173
Leasing income	**—**	2,830
Royalty income	**449**	317
Others *(note (b))*	**712**	1,146
	7,053	5,446

Notes:

(a) The amounts RMB171,000 represent the subsidies received from PRC governments for the Group's local business developments during the year ended 31 December 2022. There were no unfulfilled conditions in the years in which they were recognised. Other than that, the Group recognised government grant of approximately RMB84,000 (equivalent to HK$96,000) in respect of COVID-19 Employment Support Scheme provided by the Hong Kong government for the year ended 31 December 2022.

(b) Others mainly included the tips income (2022: tips income and waiver of other payables).

5. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities has been arrived at after charging/(crediting):

	2023	2022
	RMB'000	*RMB'000*
Directors' emoluments *(note (c))*	**3,293**	1,222
Share-based payments *(note (c))*		
— Employees	**—**	2,599
Depreciation of property, plant and equipment *(note (d))*	**580**	1,165
Depreciation of right-of-use assets *(note (d))*	**10,714**	8,706
Impairment of property, plant and equipment *(note (d))*	**—**	761
Impairment of right-of-use assets *(note (d))*	**6,734**	9,178
Write-off of property, plant and equipment *(note (d))*	**13**	328
Short-term lease payments	**341**	471
Low-value asset lease payments	**289**	367
Allowance for expected credit loss on trade and other receivables *(note (a))*	**267**	221
Gain on disposal of property, plant and equipment *(note (a))*	**(144)**	(173)
Cleaning fee *(note (b))*	**528**	705
Auditors' remuneration *(note (b))*	**870**	1,050
Transportation expenses *(note (b))*	**234**	700
Promotion and marketing expenses *(note (b))*	**228**	602
Repair and maintenance fee *(note (b))*	**1,057**	693
Legal and professional fee *(note (b))*	**1,164**	3,057
Foreign exchange gain, net *(note (b))*	**—**	(122)

Notes:

(a) These items were included under "other income, other gains and losses, net".

(b) These items were included under "other operating expenses".

(c) These items were included under "employee benefits and related expenses".

(d) These items were included under "depreciation, amortisation, impairment, and write-off of property, plant and equipment and right-of-use assets".

6. FINANCE EXPENSES, NET

	2023	2022
	RMB'000	*RMB'000*
Finance income		
— Interest income on cash and cash equivalents	**15**	17
Finance expenses		
— Interest expense on borrowings	**(185)**	(139)
— Interest expense on lease liabilities	**(3,513)**	(2,546)
— Imputed interest on convertible bonds	**(166)**	(291)
	(3,864)	(2,976)
Finance expenses, net	**(3,849)**	(2,959)

7. INCOME TAX CREDIT/(EXPENSE)

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

	2023	2022
	RMB'000	*RMB'000*
Deferred tax	**27**	(24,291)
Income tax credit/(expense)	**27**	(24,291)

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:

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	**14,355**	62,305

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**100,587,278**	80,667,866

The calculation of the weighted average number of ordinary shares is as follows:

	2023	2022
Number of issued shares on 1 January	**98,109,624**	681,975,442
Effect of the share consolidation	**—**	(613,777,898)
Effect of placing	**—**	10,663,014
Effect of exercise of share options	**2,393,330**	1,807,308
Effect of conversion of convertible bonds	**84,324**	—
Weighted average number of ordinary shares	**100,587,278**	80,667,866

For the years ended 31 December 2023 and 2022, 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.

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

10. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**4,125**	4,474
Less: Allowance for expected credit loss	**(2,759)**	(2,519)
	1,366	1,955

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

	2023	2022
	RMB'000	*RMB'000*
0 to 30 days	**1,276**	1,252
31 to 90 days	**7**	179
91 to 180 days	**19**	469
181 to 365 days	**64**	55
	1,366	1,955

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.

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

(b) Movement in the allowance for expected credit loss of trade receivables:

	2023	2022
	RMB'000	*RMB'000*
As at 1 January	**(2,519)**	(2,207)
Allowance for expected credit loss	**(240)**	(312)
As at 31 December	**(2,759)**	(2,519)

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Included in non-current assets		
Lease deposits — non-current portion	**3,416**	4,611
Included in current assets		
Lease and utilities prepayments	**605**	447
Raw materials procurement prepayments	**280**	520
Lease deposits — current portion	**505**	214
Value-added tax inputs	**5,822**	6,518
Staff advances	**511**	519
Other receivables and prepayments from related parties	**149**	276
Others	**256**	137
Less: Allowance for expected credit loss	**(328)**	(301)
	7,800	8,330

Movement in the allowance for expected credit loss of deposits and other receivables:

	2023	2022
	RMB'000	*RMB'000*
As at 1 January	**(301)**	(392)
(Allowance)/reversal of allowance for expected credit loss	**(27)**	91
As at 31 December	**(328)**	(301)

12. SHARE CAPITAL

	Number of ordinary shares	Amount *HK$'000*	Amount equivalent to *RMB'000*
Authorised			
At 1 January 2022 of HK$0.0004 each *(note (a))*	950,000,000	380	306
Share consolidation *(note (a))*	(855,000,000)	—	—
Additional authorised share capital *(note (a))*	405,000,000	1,620	1,383
As at 31 December 2022, 1 January 2023 and 31 December 2023 of HK$0.004 each	**500,000,000**	**2,000**	**1,689**
Issued and fully paid			
As at 1 January 2022 of HK$0.0004 each	681,975,442	273	230
Exercise of share options under share option scheme *(note (b))*	19,120,800	7	6
Share consolidation *(note (a))*	(630,986,618)	—	—
Placing of shares *(note (c))*	28,000,000	112	96
As at 31 December 2022 and 1 January 2023 of HK$0.004 each	**98,109,624**	**392**	**332**
Exercise of share options under share option scheme *(note (d))*	**7,010,962**	**28**	**25**
Conversion of convertible bonds *(note (e))*	**252,281**	**1**	**1**
As at 31 December 2023 of HK$0.004 each	**105,372,867**	**421**	**358**

Notes:

(a) Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company on 28 June 2022, (i) every ten issued and unissued shares of HK$0.0004 each were consolidated into one consolidated share of the Company of HK$0.004 each; and (ii) increase in authorised share capital of the Company from HK$380,000 divided into 95,000,000 consolidated shares to HK$2,000,000 divided into 500,000,000 consolidated shares by the creation of an additional 405,000,000 new consolidated shares. The changes took effect on 30 June 2022.

(b) On 21 January 2022, 19,120,800 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.

(c) On 15 August 2022, the Company placed 28,000,000 new shares to not less than six placees at the placing price of HK$0.65 per placing share with total gross proceeds of HK$18,200,000 (equivalent to RMB15,976,000) and the related issue expenses were approximately HK$560,000 (equivalent to RMB491,000).

(d) 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.

(e) 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.

13. TRADE PAYABLES

The credit period on trade payables generally ranges from 30 to 180 days.

As at 31 December 2023 and 2022, the aging analysis of the trade payables (including amounts due to related parties of trade nature) based on invoice date was as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 30 days	**1,228**	1,797
31 to 90 days	**2,630**	4,745
91 to 180 days	**4,863**	6,336
181 to 365 days	**8,371**	5,992
Over 1 years	**10,797**	5,733
	27,889	24,603

As at 31 December 2023 and 2022, the carrying amount of the Group's trade payables was denominated in RMB.

14. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Staff costs and welfare accruals *(note (a))*	**58,174**	56,938
Leasehold improvements payable	**5,671**	6,741
Payable to payroll related services *(note (b))*	**1,766**	1,968
Rental payable	**13,962**	13,800
Professional service expenses	**8,279**	10,457
Utility payable	**88**	119
Business tax and other tax liabilities	**4**	2
Amounts due to former shareholders *(note (c))*	**25,942**	25,402
Amount due to an ultimate controlling shareholder *(note (c) and note (d))*	**5,380**	—
Amount due to a related party *(note (c))*	**1,149**	1,149
Amounts due to independent third parties *(note (e))*	**14,259**	11,759
Others	**319**	416
	134,993	128,751

Notes:

(a) Included in staff costs and welfare accruals are directors' emoluments totalling approximately RMB4,201,000 (2022: RMB3,388,000) payable to the Directors.

(b) The Group engaged payroll services companies, the third party companies, for salaries and wages distribution services for certain junior position staffs (such as waiters/waitresses, kitchen assistants, etc.). On monthly basis, the payroll services companies distribute salaries and wages to relevant individuals after receiving payments from the Group.

(c) The amounts due to former shareholders and an ultimate controlling shareholder and a related party do not bear any interest and are repayable on demand.

(d) The ultimate controlling shareholder is also a director of the Company.

(e) The amounts due to independent third parties do not bear any interest and are repayable on demand.

15. 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 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 course 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, 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 the Unknown Liabilities by the Group is not probable.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR DISCLAIMER OF OPINION

The Group incurred a net loss of approximately RMB14,544,000 during the year ended 31 December 2023 and, as of that date, the Group had net current liabilities and net liabilities of approximately RMB192,536,000 and approximately RMB190,702,000, respectively.

As at 31 December 2023, the Group had total borrowings of approximately RMB22,639,000, including borrowings, amount due to an ultimate controlling shareholder and amounts due to independent third parties of approximately RMB3,000,000, RMB5,380,000 and RMB14,259,000 respectively, all of which were recorded under current liabilities, while the Group had cash and cash equivalents of approximately RMB2,928,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have been undertaking various measures to improve the Group's liquidity and financial position. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (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.

As a result of these multiple uncertainties and in view of the significance of the extent of the uncertainties relating to ongoing availability of finance to the Group, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of going concern basis of accounting in the preparation of the consolidated financial statements. Should the Group fail to achieve the above-mentioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of its assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

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") in different regions in the PRC.

	Year ended 31 December	
	2023	2022
Revenue *(in RMB'000)*		
Shanghai	**24,590**	21,964
Wuxi	**1,673**	3,747
Other cities	**—**	1,420
Nationwide	**26,263**	27,131
Number of restaurants as at 31 December		
Shanghai	**5**	7
Wuxi	**—**	1
Nationwide	**5**	8
Average number of customers per day per restaurant *(note 1)*		
Shanghai	**94**	82
Wuxi	**86**	92
Other cities	**—**	96
Nationwide	**93**	84
Seat turnover rate per day per restaurant *(note 2)*		
Shanghai	**0.9**	0.8
Wuxi	**1.0**	1.0
Other cities	**—**	1.1
Nationwide	**1.0**	0.8
Average daily revenue per restaurant *(in RMB)* *(note 3)*		
Shanghai	**10,250**	8,510
Wuxi	**10,456**	10,266
Other cities	**—**	10,923
Nationwide	**10,263**	8,820
Average spending per customer *(in RMB)* *(note 4)*		
Shanghai	**109**	104
Wuxi	**122**	111
Other cities	**—**	114
Nationwide	**110**	106

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	
	2023	2022
Revenue *(in RMB'000)*		
Shanghai	**56,010**	43,824
Other cities	—	1,324
Nationwide	**56,010**	45,148
Number of restaurants as at 31 December		
Shanghai	**4**	4
Nationwide	**4**	4
Average number of customers per day per restaurant *(note 1)*		
Shanghai	**48**	39
Other cities	—	7
Nationwide	**48**	19
Seat turnover rate per day per restaurant *(note 2)*		
Shanghai	**0.4**	0.3
Other cities	—	0.1
Nationwide	**0.4**	0.2
Average daily revenue per restaurant *(in RMB)* *(note 3)*		
Shanghai	**38,363**	36,039
Other cities	—	3,805
Nationwide	**38,363**	17,459
Average spending per customer *(in RMB)* *(note 4)*		
Shanghai	**806**	923
Other cities	—	554
Nationwide	**806**	906

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.

Following the relaxing of anti-pandemic measures by the central government in early 2023, the consumer market in China showed signs of recovery, with a notable increase in consumers' inclination to dine at restaurants. The management looks forward to a recovery in the economy. The overall opening of domestic epidemic prevention and control measures expand domestic demand and promote consumption, the consumer market will recover steadily.

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. To minimize the risk of contamination, the Group provides comprehensive training to its staff, specifically focusing on food preparation practices. These measures are in place to guarantee that the food served at the table is safe for consumption.

Looking forward to 2024, the primary focus of the Group remains on product quality. The Group uphold the philosophy of "seizing market opportunities through reform and gaining market shares through transformation and upgrades". The determination to overcome upcoming challenges remains unwavering and the Group aims to introduce even more innovative ideas to solidify its position as a leading force in the catering industry.

The ultimate goal of the Group is to become the brand with the highest market capitalization in the Asia-Pacific catering industry. With a strong commitment to transformation and product quality, the Group holds the utmost confidence in establishing the company as the foremost leader in casual restaurants throughout China.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 13.8% from approximately RMB72.3 million in 2022 to approximately RMB82.3 million in 2023. The increase was mainly due to the increase in customer flow and the improved operating performance as a result of the lifting of the COVID-19 pandemic control measures.

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 increased by approximately 14.5% from approximately RMB24.2 million in 2022 to approximately RMB27.8 million in 2023.

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 retirement plan, other social security costs and housing benefits and other employee benefits.

The employee benefits and related expenses decreased by approximately 2.2% from approximately RMB38.8 million in 2022 to approximately RMB38.0 million in 2023, mainly attributable to the closure of several restaurants.

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 waiters or waitresses, 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 46.6% from approximately RMB11.8 million in 2022 to approximately RMB6.3 million in 2023.

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

Following the closure of those underperformed restaurants, the Group's depreciation, amortisation, impairment, and write-off of property, plant and equipment and right-of-use assets decreased by approximately 10.4% from approximately RMB20.1 million in 2022 to approximately RMB18.0 million in 2023.

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 51.5% from approximately RMB15.7 million in 2022 to approximately RMB7.6 million in 2023.

Other income, other gains and losses, net

The Group's other income, other gains and losses, net increased by approximately 29.5% from approximately RMB5.4 million in 2022 to approximately RMB7.1 million in 2023, which was mainly attributable to the increase in gain on lease modification.

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 30.1% from approximately RMB3.0 million in 2022 to approximately RMB3.8 million in 2023. The increase was mainly attributable to the increase in interest expense on lease liabilities.

Loss for the year

Loss for the year attributable to owners of the Company for 2023 was approximately RMB14.4 million (2022: approximately RMB62.3 million). Basic loss per share for 2023 was approximately RMB14.3 cents (2022: approximately RMB77.2 cents). The decrease in loss was mainly attributable to the increase in customer flow and the improved operating performance as a result of the lifting of the COVID-19 pandemic control measures and the closure of 3 (2022: 5) underperformed restaurant. The number of restaurants dropped to 9 during the year ended 31 December 2023 (2022: 12).

Earnings/losses before interest, tax, depreciation, and written-off (the "Adjusted EBITDA")

The Company also assesses its operating performance based on the adjusted EBITDA as additional financial measures. The Adjusted EBITDA for the year ended 31 December 2023 was approximately RMB7.4 million (2022: Adjusted EBITDA losses of approximately RMB15.3 million), representing an increment of 147.8%.

PROSPECTS

Alongside the ending of COVID-19 controls measures in the PRC, the Group expects the seat turnover rate and average spending will gradually return to normal and to the level similar to that before the period of pandemic. On the other hand, the Group will continue implement the cost-saving and productivity enhancement strategy in the coming years and expects to maximize the returns of the Shareholders.

Targeting the High-End Segment

Hotpot restaurants that primarily feature meat as their main food ingredient tend to have a lower average customer spending compared to establishments that serve seafood. In response, an increasing number of hotpot restaurants are expanding their food offerings to cater to different customer segments. This involves incorporating seafood into their hotpot menus, which has the potential to attract more customers from the high-end market.

Furthermore, the Group remains committed to prioritizing the maintenance of a comfortable dining environment, delivering attentive services, and providing high-quality fresh ingredients. These efforts are aimed at retaining and attracting customers from high-income groups, as they play a significant role in driving revenue growth for our restaurants.

Inclusive of New Food Ingredients and Flavors

Hotpot dining is embracing the addition of new food ingredients. Compared to other cooking styles, hotpot is known for its inclusivity, allowing for easy incorporation of new food options. In order to maintain customer appeal, hotpot restaurants are increasingly open to introducing fresh food ingredients in their menus, going beyond traditional stereotypes associated with hotpot.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2023, the Group recorded cash and cash equivalents amounting to approximately RMB2.9 million (2022: approximately RMB1.7 million) and the net current liabilities value was approximately RMB192.5 million (2022: approximately RMB189.5 million).

The net liabilities value per share of the Company was approximately RMB1.90 as at 31 December 2023 (2022: approximately RMB2.32). The net liabilities value per share was computed based on 100,587,278 and 80,667,866 weighted average number of ordinary shares as at 31 December 2023 and 2022 respectively.

The Group's gearing ratio as at 31 December 2023 was approximately 0.50 (2022: approximately 0.47), being a ratio of total debts, including borrowings amount due to an controlling shareholder, amount due to independent third parties, and convertible bonds, of approximately RMB22.6 million (2022: approximately RMB20.5 million) to the total assets of approximately RMB45.4 million (2022: approximately RMB43.9 million).

USE OF PROCEEDS FROM PLACING OF SHARES

The Company completed a placing of shares on 15 August 2022, pursuant to which the Company has issued and allotted 28,000,000 shares of the Company (the "**Shares**") at a subscription price of HK$0.65 per placing share. The gross proceeds from the placing of shares was HK$18.20 million and the net proceeds after deducting relevant expenses was approximately HK$17.64 million. The net issue price per placing share based on the net proceeds is HK$0.63.

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 31 December 2023** *(HK$ million)*	**Balance of the net proceeds unutilised as at 31 December 2023** *(HK$ million)*
Repayment of the existing indebtedness of the Group from independent third parties	15.00	15.00	—
General working capital of the Group	2.64	2.64	—
	17.64	17.64	—

PLEDGE OF ASSETS

As at 31 December 2023, the Company had no charges on its assets (2022: RMB Nil).

CAPITAL STRUCTURE

On 10 February 2023, 20 February 2023, 4 August 2023 and 28 December 2023, 701,096 Shares, 701,096 Shares, 2,804,384 Shares and 2,804,386 Shares were issued respectively in relation to exercise of share options under the share option scheme approved and adopted by the Company on 2 June 2021.

On 31 August 2023, 252,281 Shares were allotted and issued in relation to conversion of convertible bonds which were issued by the Company on 4 July 2018 (the "**Convertible Bonds**").

Save as disclosed, the Company had no changes in capital structure during the year ended 31 December 2023.

CONVERTIBLE BONDS

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

	Immediately before the Share Consolidation Adjustment 2022		Immediately after the Share Consolidation Adjustment 2022	
	Conversion price per Share	Number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds	Adjusted conversion price per Share	Adjusted number of Shares to be allotted and issued upon exercise of all the conversion rights under the Convertible Bonds
Convertible Bonds in the amount of HK$4,414,937	HK$1.75	2,522,821	HK$17.50	252,281

On 31 August 2023, the outstanding Convertible Bonds in the amount of HK$4,414,937 had been converted into 252,281 Shares. As at 31 December 2023, the Company had no outstanding Convertible Bonds.

INVESTMENT POSITION AND PLANNING

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 2023.

CONTINGENT LIABILITIES

The Company acquired the entire equity interest in the Accounting Acquirer on 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 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).

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 course 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, 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, 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 the Unknown Liabilities by the Group is not probable.

CAPITAL COMMITMENTS

As at 31 December 2023, 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 RMB and settled in RMB, 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 2023 was 272 (2022: 350). 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

During the year, as far as the Company is aware, there were no material breach of or non-compliance with applicable laws and regulations by the Group that had 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 2023.

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 year ended 31 December 2023.

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.

Throughout the year, 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 in Appendix C1 of the Listing Rules (the "**CG Code**") in force during the year except for the deviations 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 year, 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 who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the chairman in Mr. Hung provides the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the Shareholders.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions with terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Listing Rules (the "**Model Code**").

All Directors have confirmed, following the specific enquiry by the Company, that they complied with the required standard set out in the Model Code during the year ended 31 December 2023 and up to the date of this announcement.

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 as set out in Appendix C1 to the Listing Rules. 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, the effectiveness of the internal audit function of the Group; (iii) 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 (iv) 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 annual results of the Group for the year ended 31 December 2023 with the management and external auditor of the Company, and confirmed that the preparation of such complied with applicable accounting standards and practices adopted by the Company and the requirements under the Listing Rules and other applicable statutory and regulatory requirements, and adequate disclosures had been made.

SCOPE OF WORK OF RSM HONG KONG

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, RSM Hong Kong, 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 HKICPA and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (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.

ANNUAL GENERAL MEETING

The notice of the annual general meeting of 2024 of the Shareholders will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

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

Hong Kong, 28 March 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.