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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 2024

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 2024, together with comparative figures from the previous corresponding year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	54,619	82,273
Foods and beverage and other materials consumables used		(17,382)	(27,757)
Employee benefits and related expenses		(31,963)	(37,964)
Property rentals and related expenses		(2,390)	(6,315)
Utilities expenses		(1,880)	(2,338)
Depreciation and amortisation of property, plant and equipment and right-of-use assets		(6,266)	(11,294)
Impairment and write-off of property, plant and equipment and right-of-use assets		(2,044)	(6,747)
Other operating expenses		(9,228)	(7,633)
Other income, other gains and losses, net	4	502	7,053
Loss from operating activities	5	(16,032)	(10,722)
Finance expenses, net	6	(2,957)	(3,849)
Loss before tax		(18,989)	(14,571)
Income tax credit	7	—	27
Loss for the year		(18,989)	(14,544)
Loss for the year attributable to:			
Owners of the Company		(18,989)	(14,355)
Non-controlling interest		—	(189)
		(18,989)	(14,544)
Loss for the year		(18,989)	(14,544)
Other comprehensive (expense)/income, net of income tax			
<i>Item that may not be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(1,777)	1,126
Total comprehensive expense for the year		(20,766)	(13,418)

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(20,766)	(13,229)
Non-controlling interest		<u>—</u>	<u>(189)</u>
		<u>(20,766)</u>	<u>(13,418)</u>
Loss per share			
Basic (RMB cent)	8	<u>(13.8)</u>	<u>(14.3)</u>
Diluted (RMB cent)		<u>(13.8)</u>	<u>(14.3)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		91	111
Right-of-use assets		15,734	16,135
Intangible assets		—	—
Prepayments, deposits and other receivables	11	936	3,416
		<u>16,761</u>	<u>19,662</u>
Current assets			
Inventories		11,933	13,645
Trade receivables	10	956	1,366
Prepayments, deposits and other receivables	11	8,508	7,800
Cash and cash equivalents		3,006	2,928
		<u>24,403</u>	<u>25,739</u>
Total assets		<u>41,164</u>	<u>45,401</u>
Equity			
Capital and reserves			
Share capital	12	667	358
Reserves		(179,271)	(188,849)
Deficiency attributable to owners of the Company		(178,604)	(188,491)
Non-controlling interest		(2,211)	(2,211)
Capital deficiency		<u>(180,815)</u>	<u>(190,702)</u>

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		15,354	17,828
Deferred tax liabilities		<u>—</u>	<u>—</u>
		<u>15,354</u>	<u>17,828</u>
Current liabilities			
Trade payables	13	25,198	27,889
Other payables and accruals	14	131,088	134,993
Contract liabilities		38,029	40,797
Lease liabilities		8,510	11,596
Borrowings		3,800	3,000
Convertible bonds		<u>—</u>	<u>—</u>
		<u>206,625</u>	<u>218,275</u>
Total liabilities		<u>221,979</u>	<u>236,103</u>
Total equity and liabilities		<u>41,164</u>	<u>45,401</u>
Net current liabilities		<u>(182,222)</u>	<u>(192,536)</u>

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 2024, Shui Chak Group Limited (“**Shui Chak Group**”) is the ultimate holding company of the Company. The immediate and 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 (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange 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 of the Company consider the choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (collectively referred to as the “**Group**”).

Going concern basis

The Group incurred a loss for the year and net cash used in operating activities of approximately RMB18,989,000 and RMB7,239,000, respectively during the year ended 31 December 2024 and, as of that date, the Group had net current liabilities and capital deficiency of approximately RMB182,222,000 and approximately RMB180,815,000, respectively.

As at 31 December 2024, the Group had bank borrowings, amount due to the ultimate controlling shareholder, amounts due to former shareholders, amount due to a related party and loan from independent third parties of approximately RMB3,800,000, RMB11,103,000, RMB26,825,000, RMB1,149,000 and RMB12,099,000, respectively, all of which were recorded under current liabilities, while the Group had cash and cash equivalents of approximately RMB3,006,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

During the year, the directors of the Company have taken various measures with an aim to improve the Group's liquidity position. The directors of the Company 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 of the Company considered that the Group will have adequate working capital to meet its obligations as and when they fall due, therefore the consolidated financial statements of the Group have been prepared under a going concern basis. Measures taken by the directors of the Company, include but not limited to:

- (i) Obtain ongoing financial support from the ultimate substantial shareholder of the Company, who has provided a written undertaking of intent to provide additional financial resources on a timely basis to enable the Group to meet its contractual obligations as and when they fall due;
- (ii) Improve the future capacity of cash flow from operating activities through the execution of targeted cost controls programs and portfolio restructuring of operating assets, including moderating capital expenditure for new outlet roll-outs and disposing or discontinuing loss-making operating segment; and
- (iii) Secure incremental equity financing by pursuing planned capital-raising transactions, which may encompass rights issues, open offers and private placements, with the objective of augmenting the Group's liquidity base when market and regulatory conditions permit.

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 timely provision of additional financial resources by the ultimate substantial shareholder of the Company pursuant to its written undertaking of intent; (ii) the successful execution of cost controls and portfolio restructuring measures to improve operating cash-generating capacity; and (iii) the successful completion of proposed equity financing activities to supplement the Group's liquidity position.

Should these mitigating measures not be realised, the Group may not be able to continue as a going concern. In that event, adjustments would be required to write down the carrying amounts of its assets to their recoverable amounts, to provide for additional 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 IFRS ACCOUNTING STANDARDS (“IFRSs”)

(a) Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the 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.

(b) New and 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:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ⁴
IFRS 19	Subsidiaries without Public Accountability Disclosures ⁴
IFRIC 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the directors of the Company, 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 results before tax. Results before tax are derived from operating results adjusted with finance income and finance expenses. 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 2024							
	Faigo			Xiao Faigo Hotpot			Unallocated	Total
	Shanghai RMB'000	Others RMB'000	Subtotal RMB'000	Shanghai RMB'000	Others RMB'000	Subtotal RMB'000		
Revenue	40,141	—	40,141	14,478	—	14,478	—	54,619
Foods and beverage and other materials consumables used	(5,237)	—	(5,237)	(12,145)	—	(12,145)	—	(17,382)
Operating profit/(loss)	559	15	574	(6,924)	202	(6,722)	(9,884)	(16,032)
Profit/(loss) before tax	(1,605)	15	(1,590)	(7,670)	203	(7,467)	(9,932)	(18,989)
Depreciation and amortisation of plant and equipment and right-of-use assets	(3,472)	—	(3,472)	(2,378)	—	(2,378)	(416)	(6,266)
Impairment and write-off of property, plant and equipment and right-of-use assets	(2,044)	—	(2,044)	—	—	—	—	(2,044)
Finance income	10	—	10	—	1	1	6	17
Finance expenses	(2,174)	—	(2,174)	(746)	—	(746)	(54)	(2,974)
Addition to non-current assets	—	—	—	1,692	—	1,692	1,450	3,142
	Year ended 31 December 2023							
	Faigo			Xiao Faigo Hotpot			Unallocated	Total
	Shanghai RMB'000	Others RMB'000	Subtotal RMB'000	Shanghai RMB'000	Wuxi RMB'000	Others RMB'000		
Revenue	56,010	—	56,010	24,590	1,673	—	26,263	82,273
Foods and beverage and other materials consumables used	(18,323)	—	(18,323)	(8,878)	(556)	—	(9,434)	(27,757)
Operating profit/(loss)	4,220	1,527	5,747	(8,342)	70	(1,909)	(10,181)	(10,722)
Profit/(loss) before tax	1,631	1,527	3,158	(9,385)	39	(1,908)	(11,254)	(14,571)
Depreciation and amortisation of plant and equipment and right-of-use assets	(6,288)	—	(6,288)	(3,783)	(693)	—	(4,476)	(11,294)
Impairment and write-off of property, plant and equipment and right-of-use assets	(1,967)	—	(1,967)	(4,780)	—	—	(4,780)	(6,747)
Finance income	12	—	12	—	—	1	2	15
Finance expenses	(2,601)	—	(2,601)	(1,043)	(31)	—	(1,074)	(3,864)
Addition to non-current assets	20,286	364	20,650	2,169	140	—	2,309	23,478

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	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
The PRC	54,619	82,273	15,292	19,229
Hong Kong	—	—	1,469	433
	<u>54,619</u>	<u>82,273</u>	<u>16,761</u>	<u>19,662</u>

(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 2024 and 2023.

(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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major product line		
— Hotpot business	<u>54,619</u>	<u>82,273</u>

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

	2024 RMB'000	2023 RMB'000
Gain on early termination of lease	831	6,015
Impairment loss under expected credit loss model on trade and other receivables, net of reversal	(550)	(267)
Gain on disposal of property, plant and equipment	113	144
Written-down of other receivables	(26)	—
Loss of inventories	(613)	—
Royalty income	340	449
Others (<i>note (a)</i>)	407	712
	<u>502</u>	<u>7,053</u>

Note:

(a) Others mainly included the tips income (2023: tips income and waiver of other payables).

5. LOSS FROM OPERATING ACTIVITIES

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

	2024 RMB'000	2023 RMB'000
Directors' emoluments (<i>note (b)</i>)	3,312	3,293
Depreciation of property, plant and equipment (<i>note (c)</i>)	34	580
Depreciation of right-of-use assets (<i>note (c)</i>)	6,232	10,714
Impairment of right-of-use assets (<i>note (d)</i>)	2,044	6,734
Write-off of property, plant and equipment (<i>note (d)</i>)	—	13
Short-term lease payments	178	341
Low-value asset lease payments	142	289
Cleaning fee (<i>note (a)</i>)	385	528
Auditor's remuneration (<i>note (a)</i>)	1,100	870
Transportation expenses (<i>note (a)</i>)	218	234
Promotion and marketing expenses (<i>note (a)</i>)	277	228
Repair and maintenance fee (<i>note (a)</i>)	1,152	1,057
Legal and professional fee (<i>note (a)</i>)	1,346	1,164

Notes:

(a) These items were included under “other operating expenses”.

(b) These items were included under “employee benefits and related expenses”.

(c) These items were included under “depreciation and amortisation of property, plant and equipment and right-of-use assets”.

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

6. FINANCE EXPENSES, NET

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Finance income:		
— Interest income on cash and cash equivalents	<u>17</u>	<u>15</u>
Finance expenses:		
— Interest expense on borrowings	(853)	(185)
— Interest expense on lease liabilities	(2,121)	(3,513)
— Imputed interest on convertible bonds	<u>—</u>	<u>(166)</u>
	<u>(2,974)</u>	<u>(3,864)</u>
Finance expenses, net	<u><u>(2,957)</u></u>	<u><u>(3,849)</u></u>

7. INCOME TAX CREDIT

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Deferred tax	<u>—</u>	<u>27</u>
Income tax credit	<u><u>—</u></u>	<u><u>27</u></u>

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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u><u>18,989</u></u>	<u><u>14,355</u></u>
	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u><u>137,903,905</u></u>	<u><u>100,587,278</u></u>

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

	2024	2023
Number of issued shares on 1 January	105,372,867	98,109,624
Effect of placing (<i>note 12(c)</i>)	32,531,038	—
Effect of exercise of share options (<i>note 12(a)</i>)	—	2,393,330
Effect of conversion of convertible bonds (<i>note 12(b)</i>)	—	84,324
	<u> </u>	<u> </u>
Weighted average number of ordinary shares	<u>137,903,905</u>	<u>100,587,278</u>

For the years ended 31 December 2024 and 2023, the computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2024 and 2023.

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2024 (2023: RMBNil).

10. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	4,092	4,125
Less: Allowance for expected credit loss	<u>(3,136)</u>	<u>(2,759)</u>
	<u>956</u>	<u>1,366</u>

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

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

	2024 RMB'000	2023 RMB'000
0 to 30 days	505	1,276
31 to 90 days	82	7
91 to 180 days	123	19
181 to 365 days	<u>246</u>	<u>64</u>
	<u>956</u>	<u>1,366</u>

The directors of the Company 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 sales customers and the management considers that these receivables are recoverable.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
As at 1 January	(2,759)	(2,519)
Allowance for expected credit loss	<u>(377)</u>	<u>(240)</u>
As at 31 December	<u><u>(3,136)</u></u>	<u><u>(2,759)</u></u>

The impairment losses recognised is the estimated amount of the trade receivables that will not be collected.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Included in non-current assets:		
Lease deposits — non-current portion	<u>936</u>	<u>3,416</u>
Included in current assets:		
Lease and utilities prepayments	470	605
Raw materials procurement prepayments	49	280
Lease deposits — current portion	1,108	505
Value-added tax	5,925	5,822
Staff advances	248	511
Other receivables from and prepayments to related parties	375	149
Others	834	256
Less: Impairment loss under expected credit loss model, net of reversal	<u>(501)</u>	<u>(328)</u>
	<u><u>8,508</u></u>	<u><u>7,800</u></u>

As at 31 December 2024 and 2023, the carrying amounts of prepayments, deposits and other receivables were primarily denominated in RMB and approximated their fair value. The maximum exposure to credit risk at each of the reporting dates is the carrying amount of each class of deposits and other receivables mentioned above, excluding value-added tax inputs. For lease deposits, the credit quality of lease deposits has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given there is no history of defaults from these counterparties, the directors of the Company are of the opinion that the risk of default is not significant and does not expect any losses from non-performance by the counterparties. The Group does not hold any collateral as security. The amount reported in the impairment losses recognised on deposits and other receivables is the estimated amount that will not be collected.

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

	2024 RMB'000	2023 <i>RMB'000</i>
As at 1 January	(328)	(301)
Impairment loss under expected credit loss model, net of reversal	<u>(173)</u>	<u>(27)</u>
As at 31 December	<u>(501)</u>	<u>(328)</u>

12. SHARE CAPITAL

Share capital of the Company

	Number of ordinary shares	Amount <i>HK\$'000</i>	Amount equivalent to <i>RMB'000</i>
Authorised:			
As at 1 January 2023, 31 December 2023, 1 January 2024, and 31 December 2024 of HK\$0.004 each	<u>500,000,000</u>	<u>2,000</u>	<u>1,689</u>
Issued and fully paid:			
As at 1 January 2023 of HK\$0.0004 each	98,109,624	392	332
Exercise of share options under share option scheme (<i>note (a)</i>)	7,010,962	28	25
Conversion of convertible bonds (<i>note (b)</i>)	<u>252,281</u>	<u>1</u>	<u>1</u>
As at 31 December 2023 and 1 January 2024 of HK\$0.004 each	105,372,867	421	358
Placing of shares (<i>note (c)</i>)	<u>84,220,000</u>	<u>337</u>	<u>309</u>
As at 31 December 2024 of HK\$0.004 each	<u>189,592,867</u>	<u>758</u>	<u>667</u>

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 8 April 2024, the Company entered into a placing agreement for a placing of 63,220,000 shares to not less than six placees at the placing price of HK\$0.48 per placing shares. The share placing was completed on 26 June 2024. The net proceeds from the share placing amounted to approximately RMB26,303,000, net of transaction costs of shares placing.

On 19 December 2024, the Company entered into a placing agreement for a placing of 21,000,000 shares to not less than six placees at the placing price of HK\$0.12 per placing shares. The share placing was completed on 30 December 2024. The net proceed from the share placing amounted to approximately RMB2,254,000, net of transaction costs of shares placing.

13. TRADE PAYABLES

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

As at 31 December 2024 and 2023, the aging analysis of the trade payables (including amounts due to related parties of trade nature) based on invoice date was as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0 to 30 days	899	1,228
31 to 90 days	1,154	2,630
91 to 180 days	1,661	4,863
181 to 365 days	3,067	8,371
Over 1 year	18,417	10,797
	<u>25,198</u>	<u>27,889</u>

As at 31 December 2024 and 2023, the carrying amount of the Group's trade payables was denominated in RMB.

14. OTHER PAYABLES AND ACCRUALS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Staff costs and welfare accruals (<i>note (a)</i>)	56,215	58,174
Leasehold improvements payable	5,598	5,671
Payable to payroll related services (<i>note (b)</i>)	2,290	1,766
Rental payable (<i>note (c)</i>)	4,243	13,962
Professional service expenses	9,095	8,279
Utility payable	88	88
Business tax and other tax liabilities	3	4
Amounts due to former shareholders (<i>note (d)</i>)	26,825	25,942
Amount due to the ultimate controlling shareholder (<i>note (d) and note (e)</i>)	11,103	5,380
Amount due to a related party (<i>note (d)</i>)	1,149	1,149
Loan from independent third parties (<i>note (f)</i>)	12,099	14,259
Others	2,380	319
	<u>131,088</u>	<u>134,993</u>

Notes:

- (a) Included in staff costs and welfare accruals are directors' emoluments totalling approximately RMB2,397,000 (2023: RMB4,201,000) payable to the directors of the Company.
- (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) Included in the rental payable as at 31 December 2023 is amount due to the ultimate controlling shareholder of approximately RMB9,948,000, represented operating expenses paid by the ultimate controlling shareholder on behalf of the Group, of which do not bear any interest and is repayable on demand.
- (d) The amounts due to former shareholders, a related party and an ultimate controlling shareholder do not bear any interest and are repayable on demand.
- (e) The ultimate controlling shareholder is also a director of the Company.
- (f) Loan from Shenzhen DaZhongCheng Investment Co, Ltd. represented principal amount of RMB2,000,000 and accrued interest of approximately RMB701,000. The Loan was unsecured, interest bearing at 8% per annum and matured as at year end.

Loan from other independent third parties represented principal amount of RMB9,398,000, which do not bear any interest and are repayable on demand.

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	
	2024	2023
Revenue (in RMB'000)		
Shanghai	14,478	24,590
Wuxi	<u>—</u>	<u>1,673</u>
Nationwide	14,478	26,263
Number of restaurants as at 31 December		
Shanghai	<u>4</u>	<u>5</u>
Nationwide	4	5
Average number of customers per day per restaurant (Note 1)		
Shanghai	75	94
Wuxi	<u>—</u>	<u>86</u>
Nationwide	75	93
Seat turnover rate per day per restaurant (Note 2)		
Shanghai	0.7	0.9
Wuxi	<u>—</u>	<u>1.0</u>
Nationwide	0.7	1.0
Average daily revenue per restaurant (in RMB) (Note 3)		
Shanghai	8,492	10,250
Wuxi	<u>—</u>	<u>10,456</u>
Nationwide	8,492	10,263
Average spending per customer (in RMB) (Note 4)		
Shanghai	114	109
Wuxi	<u>—</u>	<u>122</u>
Nationwide	<u>114</u>	<u>110</u>

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	
	2024	2023
Revenue (in RMB'000)		
Shanghai	<u>40,141</u>	<u>56,010</u>
Number of restaurants as at 31 December		
Shanghai	<u>3</u>	<u>4</u>
Average number of customers per day per restaurant <i>(Note 1)</i>		
Shanghai	<u>39</u>	<u>48</u>
Seat turnover rate per day per restaurant <i>(Note 2)</i>		
Shanghai	<u>0.3</u>	<u>0.4</u>
Average daily revenue per restaurant (in RMB) <i>(Note 3)</i>		
Shanghai	<u>31,069</u>	<u>38,363</u>
Average spending per customer (in RMB) <i>(Note 4)</i>		
Shanghai	<u><u>794</u></u>	<u><u>806</u></u>

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 relaxation of anti-pandemic measures by the central government in early 2023, China's consumer market showed signs of recovery, with a notable increase in consumers' inclination to dine at restaurants. Throughout 2023 and into 2024, the market has continued to regain momentum, driven by rising domestic demand and a gradual improvement in consumer confidence. The management remains optimistic about the ongoing economic recovery, as favorable policies continue to stimulate consumption and support steady growth in the catering industry.

Food safety remains a top priority for consumers in the PRC, and every restaurant chain must address this concern proactively. The Group recognizes that a reputation built over years can be jeopardized by a single food safety incident. Therefore, the Group places paramount importance on food safety and quality, maintaining a robust procurement system that ensures full visibility and traceability of food ingredients across the catering service industry value chain. To mitigate contamination risks, the Group provides comprehensive staff training, emphasizing best practices in food preparation. These stringent measures are designed to ensure that all food served is safe for consumption.

Looking ahead to 2025, the Group remains committed to enhancing product quality and innovation. Upholding the philosophy of "seizing market opportunities through reform and gaining market shares through transformation and upgrades," the Group is determined to navigate upcoming challenges while introducing new and innovative strategies to strengthen its market position.

The Group's ultimate goal is to become the most valuable brand in the Asia-Pacific catering industry. With a steadfast commitment to transformation, excellence, and product quality, the Group is confident in its ability to establish itself as the leading force in the casual dining sector throughout China.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 33.7% from approximately RMB82.3 million in 2023 to approximately RMB54.6 million in 2024. The decrease was mainly due to the decrease in customer traffic impacted by challenging operating environment in the hotpot industry and the Group has 7 restaurants (2023: 9) during the year ended 31 December 2024.

Foods and beverage and other materials consumables used

The Group's foods and beverage and other materials consumables costs mainly represents the costs of food ingredients for the hotpot business, and were one of the largest components of the Group's operating expenses. The foods and beverage and other materials consumables costs decreased by approximately 37.4% from approximately RMB27.8 million in 2023 to approximately RMB17.4 million in 2024.

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 15.8% from approximately RMB38.0 million in 2023 to approximately RMB32.0 million in 2024, 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 waiter or waitress, kitchen assistants etc. The Group pays annual service fee and other related cost, such as training and social welfare.

Property rentals and related expenses

Following the decrease in number of restaurants, the Group's property rentals and related expenses decreased by approximately 61.9% from approximately RMB6.3 million in 2023 to approximately RMB2.4 million in 2024.

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

Following the decrease in number of restaurants, the Group's depreciation, amortisation, impairment and write-off of property, plant and equipment and right-of-use assets decreased by approximately 53.9% from approximately RMB18.0 million in 2023 to approximately RMB8.3 million in 2024.

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, increased by approximately 21.1% from approximately RMB7.6 million in 2023 to approximately RMB9.2 million in 2024.

Other income, other gains and losses, net

The Group's other income, other gains and losses, net decreased by approximately 93.0% from approximately RMB7.1 million in 2023 to approximately RMB0.5 million in 2024, which was mainly attributable to the decrease in gain on early termination of lease.

Finance expenses, net

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

The Group's net finance expenses decreased by approximately 21.1% from approximately RMB3.8 million in 2023 to approximately RMB3.0 million in 2024.

Loss for the year

Loss for the year attributable to owners of the Company for 2024 was approximately RMB19.0 million (2023: approximately RMB14.4 million). Basic loss per share for 2024 was approximately RMB13.8 cents (2023: approximately RMB14.3 cents). The increase in loss was mainly attributable to the decrease in customer traffic impacted by challenging operating environment in the hotpot industry and the closure of 2 (2023: 3) underperformed restaurants. The number of restaurants dropped to 7 during the year ended 31 December 2024 (2023: 9).

PROSPECTS

Taking into account the economic conditions and the consumer market climate in the PRC, the Group anticipates that seat turnover rates and average spending will be difficult to recover to pre-pandemic levels. At the same time, the Group remains committed to implementing cost-saving measures and productivity enhancement strategies in the coming years, while focusing on innovative businesses, to maximize value for shareholders of the Company (the “**Shareholders**”).

Furthermore, the Group remains dedicated to maintaining a refined dining atmosphere, delivering attentive service, and sourcing high-quality fresh ingredients. These efforts are crucial in retaining and attracting high-income consumers, thereby preserving the revenue generated by the Group's restaurant network. To remain competitive in an evolving catering market, the Group will continue to enrich its menu offerings through the introduction of seasonal products, premium seafood selections, specially curated set menus and promotional offerings designed to broaden customer appeal and drive customer traffic. Product innovation and menu diversification remain important to the Group's strategy, and management will continue to introduce new food ingredients and flavours while developing differentiated dining experiences to meet changing consumer preferences.

Looking ahead, the Group is exploring a number of initiatives aimed at broadening revenue sources and strengthening its long-term competitiveness. These include potential franchise opportunities for the Group's restaurant brands in the PRC, which could enhance brand recognition, expand market presence and generate recurring franchise and management fee income. The Group is also evaluating alternative restaurant concepts, including one-person hotpot and self-service hotpot formats, and exploring opportunities in the food supply chain sector, including the distribution of seafood, hotpot ingredients and other food products.

The Group is further assessing opportunities to expand into the Hong Kong market and is actively reviewing potential locations for future restaurant openings. Any expansion will be pursued prudently, with a focus on suitable locations and sustainable returns. Meanwhile, management will continue to implement measures to enhance operational efficiency, strengthen cash flow generation and maintain disciplined cost control.

The Directors remain cautiously optimistic about the long-term prospects of the catering industry. Supported by its established brands, industry experience, strengthened corporate governance framework and ongoing business development initiatives, the Group believes it is well positioned to pursue future growth opportunities and create sustainable value for Shareholders.

Expanding Food Ingredients and Flavor Offerings

The hotpot dining experience continues to evolve with the introduction of new food ingredients and flavors. Unlike other cooking styles, hotpot is highly adaptable, making it easy to incorporate a wide variety of ingredients. To keep customer interest high, hotpot restaurants are increasingly embracing innovative food options that go beyond traditional hotpot cuisine, catering to changing consumer preferences and enhancing the overall dining experience.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2024, the Group recorded cash and cash equivalents amounting to approximately RMB3.0 million (2023: approximately RMB2.9 million) and the net current liabilities value was approximately RMB182.2 million (2023: approximately RMB192.5 million).

The net liabilities value per share of the Company was approximately RMB1.31 as at 31 December 2024 (2023: approximately RMB1.90). The net liabilities value per share was computed based on 137,903,905 and 100,587,278 weighted average number of ordinary shares as at 31 December 2024 and 2023 respectively.

The Group's gearing ratio as at 31 December 2024 was approximately 1.33 (2023: approximately 1.31), being a ratio of total debts, including borrowings, amount due to the ultimate controlling shareholder, amounts due to former shareholders, amount due to a related party and loan from independent third parties, of approximately RMB55.0 million (2023: approximately RMB59.7 million) to the total assets of approximately RMB41.2 million (2023: approximately RMB45.4 million).

USE OF PROCEEDS FROM PLACING OF SHARES ON 30 DECEMBER 2024

The Company completed a placing of shares on 30 December 2024, pursuant to which the Company has issued and allotted 21,000,000 shares of the Company (the “**Shares**”) at a subscription price of HK\$0.12 per placing share. The gross proceeds from the placing of shares was HK\$2.52 million and the net proceeds after deducting relevant expenses was approximately HK\$2.42 million. The net issue price per placing share based on the net proceeds is HK\$0.115.

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 2024 (HK\$ million)	Balance of the net proceeds unutilised as at 31 December 2024 (HK\$ million)
General working capital of the Group	2.42	—	2.42
	<u>2.42</u>	<u>—</u>	<u>2.42</u>

USE OF PROCEEDS FROM PLACING OF SHARES ON 26 JUNE 2024

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 and the net proceeds after deducting relevant expenses was approximately HK\$28.8 million. The net issue price per placing share based on the net proceeds is HK\$0.46.

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 2024 (HK\$ million)	Balance of the net proceeds unutilised as at 31 December 2024 (HK\$ million)
Repayment of the Group indebtedness and interest expenses	25.9	(25.9)	—
General working capital of the Group	2.9	(2.9)	—
	<u>28.8</u>	<u>(28.8)</u>	<u>—</u>

PLEDGE OF ASSETS

As at 31 December 2024, the Company had no charges on its assets (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.

On 30 December 2024, the Company allotted and issued 21,000,000 Shares at the placing price of HK\$0.12 pursuant to the placing agreement dated 19 December 2024.

Save as disclosed, the Company had no changes in capital structure during the year ended 31 December 2024.

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 Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the year ended 31 December 2024.

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 Accounting Acquirer as at that date, including the recorded accrued expenses and other payables of approximately RMB37,578,000 as disclosed in Note 32 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2019.

These recorded accrued expenses and other payables do not include any of the unknown liabilities of the Accounting Acquirer brought forward from 1 January 2018, which included the amount due to a deconsolidated subsidiary of approximately HK\$1,028,000 (equivalent to approximately RMB882,000) and unknown other contingent liabilities of approximately HK\$17,694,000 (equivalent to approximately RMB15,182,000) (collectively, the “**Contingent 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, any claim in respect thereof would ordinarily have been statute-barred as at 31 December 2019, or if the liabilities were created under deed, any claim in respect thereof would generally have been statute-barred 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 Directors consider that 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 2024, save as disclosed elsewhere in this announcement, the Group had no other significant capital commitments.

FOREIGN CURRENCY RISK

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

EVENTS AFTER REPORTING PERIOD

1. Resumption Progress and Continued Suspension of Trading

On 31 March 2025, at the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 31 March 2025, and will remain suspended until further notice.

The Company has been informed by its auditor, Rongcheng (Hong Kong) CPA Limited (the “**Auditors**”), that they had received a letter containing certain allegations against some Directors, the controlling shareholder of the Company and the Group regarding certain operational and internal control matters of the Group (the “**Allegations**”).

As the Allegations may or may not have material impact on the annual results of the Group for the year ended 31 December 2024 (the “**2024 Annual Results**”), the Board has decided, after discussion with the Auditors, to delay publication of the 2024 Annual Results until an investigation into the basis and/or the impact, if any, of the Allegations, has been completed.

The Board has formed an investigation committee (the “**Investigation Committee**”) comprising Mr. Tam Bing Chung Benson, Mr. Cheung Ting Pong and Ms. Leung Chee Wai Mochi, all being the three independent non-executive Directors, to investigate and report on various matters and events concerning the Allegations. The Investigation Committee will use its best endeavours to complete such investigation as soon as possible.

On 16 April 2025, the Investigation Committee has appointed Shanghai Acumen CPA Firm (the “**External Consultant**”), an independent third party firm, as an external consultant to assist the Investigation Committee to investigate and report on various matters and events concerning the Allegations, and other related matters (including the internal control deficiencies of the Group, if any) (the “**Investigation**”), and to produce a report of findings on the Investigation to the Investigation Committee.

On 30 April 2025, the Company has been notified by the Stock Exchange of the following guidance for resumption of trading in the shares of the Company (the “**Resumption Guidance**”):

- (i) conduct an independent forensic investigation into the Allegations, assess the impact on the Company’s business operations and financial position, announce the findings of the investigation and take appropriate remedial actions;
- (ii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;

- (iii) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (iv) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules;
- (v) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- (vi) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position.

The Stock Exchange required the Company to meet all Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes.

In light of the Resumption Guidance, on 22 May 2025, the Investigation Committee appointed Acclime Corporate Advisory (Hong Kong) Limited ("**Acclime**") as the independent forensic accountant to conduct a further investigation on the Allegations (the "**Forensic Investigation**") and, subject to their findings, conduct an independent internal control review on the relevant business cycles and procedures of the Group (the "**Internal Control Review**").

As of the date of this Report, the Forensic Investigation and the Internal Control Review have been completed, and the findings have been submitted to the regulatory authorities for their review. The Company continues to address any ongoing enquiries from the regulatory authorities received from time to time. The summary of the findings of the Forensic Investigation and the conclusions and recommendations from the Internal Control Review were announced by the Company on 13 August 2026.

The findings of the Forensic Investigation did not identify any evidence substantiating the Allegations raised against the Group and did not identify any fraud, misappropriation of assets, diversion of funds, financial reporting fraud or other material misconduct by the current Directors or management.

Following the findings of the Internal Control Review, certain remedial/enhancement measures were proposed to the Group and the Company has implemented all such measures recommended by the internal control consultant, and the follow-up review confirmed that all findings had been rectified and that no material deficiencies remained within the review scope.

Based on the findings of the Forensic Investigation and Internal Control Review, the Board is not aware of any matter giving rise to reasonable regulatory concern regarding the integrity, competence or character of the current Directors and senior management.

The Company is taking diligent steps to address the remaining conditions set out in the Resumption Guidance. Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the Listing Rules to keep its shareholders and potential investors informed of the latest progress of compliance with the Resumption Guidance.

Details were set out in the Company's announcements dated 31 March 2025, 3 April 2025, 17 April 2025, 6 May 2025, 27 May 2025, 30 June 2025, 25 September 2025, 23 December 2025, 23 March 2026, 23 June 2026 and 13 August 2026.

2. Major and Connected Transaction: Proposed Acquisition of 51% Equity Interests in the Target Company

On 29 April 2026, the Company, Team Pacific Holdings Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company, and Heshun Holdings Company Limited (the “**Vendor**”), entered into the sale and purchase agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, 51% equity interests in Go Forward Corporation Limited (the “**Target Company**”), a limited liability company incorporated in Hong Kong, for a consideration of HK\$6,000,000, which shall be settled by the issue of the promissory note (the “**Promissory Note**”) by the Company to the Vendor at completion (the “**Acquisition**”).

The Target Company is principally engaged in the operation of two Thai hotpot restaurants in Hong Kong, with net profit after taxation for the two consecutive financial years ended 31 December 2025. The Directors consider that the Acquisition would strengthen the Group's business fundamentals by introducing a differentiated Thai hotpot brand with an established market presence and customer base, broaden the Group's product offering by expanding into the Thai hotpot segment, and enrich its brand portfolio.

The Directors further believe that the Acquisition will provide an immediate contribution to the Group's revenue, operating cash flow and earnings, while strengthening the Group's presence in the Hong Kong market. The Target Company currently operates two Thai hotpot restaurants in Hong Kong under the “四面泰” brand and is evaluating opportunities to expand its restaurant network through additional outlets in Hong Kong. The Target Company is also exploring opportunities for expansion into overseas markets, including Southeast Asia. The Directors believe that the Acquisition will not only broaden the Group's brand portfolio and customer base but will also provide a platform for future regional expansion and long-term growth.

The Acquisition constitutes a major and connected transaction of the Company and is therefore subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The extraordinary general meeting of the Company will be convened for the purpose of considering and, if thought fit, approving, among others, the Acquisition and issue of the Promissory Note.

Details were set out in the Company's announcements dated 29 April 2026 and 30 June 2026 and circular dated 25 August 2026.

Save as disclosed, there are no material subsequent events undertaken by the Company or by the Group after 31 December 2024 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2024 was 200 (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.

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 2024.

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 2024.

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 set 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

Code Provision C.1.8 provides that the Company should arrange appropriate insurance cover in respect of legal action against its Directors. During the year ended 31 December 2024, the Company was unable to secure any offer from insurers to provide Directors’ and officers’ liability insurance, and accordingly such insurance cover was not in place. The Company continued the process of obtaining, reviewing and comparing quotations and insurance proposals from insurers and subsequent to the year end, the Company put in place Directors’ and officers’ liability insurance with effect from February 2025.

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 who have extensive experience in the business of the Group. Their respective areas of profession spearhead the Group’s overall development and business strategies.

The Board will examine and review, from time to time, the Company’s corporate governance practices and operations in order to meet the relevant provisions under the CG Code and to protect the interest of the Shareholders.

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 2024 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. 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 Ms. Leung Chee Wai Mochi. 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 2024 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.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditors’ report on the Group’s consolidated financial statement for the year ended 31 December 2024:

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 2024, 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 these consolidated financial statements. Due to the significance and pervasiveness of the matters described in the Basis for Disclaimer of Opinion section of our report below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. Same as the above, 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

As set out in note 2 to the consolidated financial statements, the Group incurred a loss for the year and net cash used in operating activities of approximately RMB18,989,000 and RMB7,239,000, respectively during the year ended 31 December 2024 and, as of that date, the Group had net current liabilities and capital deficiency of approximately RMB182,222,000 and approximately RMB180,815,000, respectively.

As at 31 December 2024, the Group had bank borrowings, amount due to the ultimate controlling shareholder, amounts due to former shareholders, amount due to a related party and loan from independent third parties of approximately RMB3,800,000, RMB11,103,000, RMB26,825,000, RMB1,149,000 and RMB12,099,000, respectively, all of which were recorded under current liabilities, while the Group had cash and cash equivalents of approximately RMB3,006,000. As stated in note 2 to the consolidated financial statements, 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 of the Company have been undertaking various measures to improve the Group's liquidity and financial position, which are set out in note 2 to the consolidated financial statements. 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 material uncertainties, including but not limited to:

- (i) obtain ongoing financial support from the Company's ultimate substantial shareholder, who has provided a written undertaking of intent to provide additional financial resources on a timely basis to enable the Group to settle its contractual liabilities as and when they fall due;
- (ii) improve the capacity of future cash flow from operating activities through the execution of targeted cost control measures and portfolio restructuring of operating assets, including moderating capital expenditure for new outlet roll-outs and disposing or discontinuing loss-making operating segment; and
- (iii) secure incremental equity financing by pursuing planned capital-raising transactions, which may encompass right issues, open offers and private placements, with the objective of augmenting the Group's liquidity base when market and regulatory conditions permit.

The appropriateness of the going concern basis of preparation is contingent on the successful realisation of these mitigating measures as a whole. These measures relate to future events subject to significant uncertainty and are not entirely within the Group's control. As a result of these material 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 evaluate whether of the going concern basis of accounting applied in the preparing of these consolidated financial statements is appropriate. These matters are pervasive to 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.

ACTION PLAN TO ADDRESS DISCLAIMER OPINION

The auditor of the Company did not express opinion on the consolidated financial statements of the Group for the year ended 31 December 2024 due to the potential interaction of the uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements. In order to address the issues, up to the date of this announcement, the Group has taken and will continue to implement the measures as stated in Note 2.1 to improve the Group's liquidity position.

The Board will continue to use its best endeavours to implement the measures aimed at resolving the issues underlying the disclaimer of opinion and will publish further announcement(s) as and when appropriate.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2024. The Audit Committee noted that the Board has undertaken or is in the progress of implementing the measures to improve the Group's liquidity position as stated in Note 2.1. As at the date of this announcement, the Board is not aware of any indication that there will be any difficulties in implementing any of the measures. With reference to the cash flow forecast which is prepared upon the assumption that the measures will be successfully implemented, the Board is of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of approval for the consolidated financial statements for the year ended 31 December 2024. Accordingly, the consolidated financial statements for the year ended 31 December 2024 have been prepared on a going concern basis.

SCOPE OF WORK OF RONGCHENG (HONG KONG) CPA LIMITED ON THIS ANNUAL RESULTS ANNOUNCEMENT

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, Rongcheng (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Rongcheng (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Rongcheng (Hong Kong) CPA Limited 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 (<https://www.cre8ir.com/zh/01007.html>). 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 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, 27 August 2026

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 Ms. Leung Chee Wai Mochi.