LONGHUI INTERNATIONAL HOLDINGS LIMITED
龍輝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1007)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS

The board (the "Board") of directors (the "Director(s)") of Longhui International Holdings Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	2	**77,318**	237,904
Foods and beverage and other materials consumables used		**(34,697)**	(92,100)
Employee benefit and related expenses	3	**(35,454)**	(69,229)
Property rentals and related expenses		**(11,939)**	(17,736)
Utilities expenses		**(3,993)**	(8,590)
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset		**(41,919)**	(94,108)
Other expenses		**(11,498)**	(16,775)
Other gains/(losses), net		**13,758**	(70)
Loss from operating activities	4	**(48,424)**	(60,704)
Finance expenses, net		**(3,973)**	(9,028)
Loss before tax		**(52,397)**	(69,732)
Income tax (expense)/credit	5	**(377)**	14,242
Loss for the period		**(52,774)**	(55,490)
Loss attributable to:			
Owners of the Company		**(52,465)**	(55,205)
Non-controlling interest		**(309)**	(285)
		(52,774)	(55,490)
Loss per share	6		
— Basic		**(0.008)**	(0.010)
— Diluted		**(0.008)**	(0.010)

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Loss for the period		**(52,774)**	(55,490)
Other comprehensive income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**353**	1,087
Total comprehensive loss for the period		**(52,421)**	(54,403)
Total comprehensive loss attributable to:			
Owners of the Company		**(52,112)**	(54,118)
Non-controlling interest		**(309)**	(285)
		(52,421)	(54,403)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**24,063**	39,034
Right-of-use assets	7	**59,614**	123,444
Intangible asset		**12**	100
Prepayments, deposits and other receivables	9	**22,499**	22,719
Deferred tax assets		**25,752**	26,150
		131,940	211,447
Current assets			
Inventories		**17,709**	27,098
Trade receivables	8	**3,344**	5,907
Prepayments, deposits and other receivables	9	**40,457**	55,534
Cash and cash equivalents		**1,723**	5,338
		63,233	93,877
Total assets		**195,173**	305,324
Capital and reserves			
Share capital	10	**109**	109
Reserves		**(133,502)**	(81,390)
		(133,393)	(81,281)
Non-controlling interest		**(999)**	(690)
Total equity		**(134,392)**	(81,971)

	Notes	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	7	**62,743**	107,837
Convertible bonds		**3,127**	2,942
Deferred tax liabilities		**145**	166
		66,015	110,945
Current liabilities			
Trade payables	11	**47,932**	52,865
Other payables and accruals	11	**147,649**	134,609
Contract liabilities		**48,994**	42,824
Income tax payables		**878**	892
Borrowing		**3,000**	—
Lease liabilities	7	**15,097**	45,160
		263,550	276,350
Total liabilities		**329,565**	387,295
Total equity and liabilities		**195,173**	305,324
Net current liabilities		**(200,317)**	(182,473)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION AND APPLICATION OF AMENDMENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The Group reported a consolidated net loss of approximately RMB52,774,000 for the current period and net current liabilities of approximately RMB200,317,000 as at 30 June 2020. These circumstances may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

(i) the substantial shareholders of the Company have given their consent to provide continuous financial support to the Group to enable the Group to meets its obligations when due;

(ii) negotiating with banks and other financial institution for new banking facilities;

(iii) management has been endeavoring to improve the Group's operating results and cash flows through various cost control measures and will slow down the opening of new restaurants or will close under performing restaurants in the future;

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

Consequently, the unaudited condensed consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

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

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies, methods of computation and presentation used in the preparation of the interim condensed consolidated financial statements are consistent with those described in the 2019 annual consolidated financial statements except for those noted in below.

Significant events and transactions in the current interim period

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group closed most of its branches in February 2020 voluntarily in an effort to contain the spread of the pandemic. Also, the financial positions and performance of the Group were affected in certain aspects, including reduction in revenue, and increase in rent concessions from certain lessors as disclosed in the relevant notes.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for annual period beginning on or after 1 January 2020, for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IAS 1 and IAS 8 "*Definition of Material*"
- Amendments to IFRS 3 "*Definition of a Business*"
- Amendments to IFRS 9, IAS 39 and IFRS 7 "*Interest Rate Benchmark Reform*"

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and accounting policies on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

Leases

Covid-19-Related Rent Concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS I6 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening accumulated losses at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of approximately RMB4,326,000 in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020.

2. REVENUE AND SEGMENT INFORMATION

(A) Segment revenue

	Six months ended 30 June 2020 (Unaudited)											
	Faigo				**Xiao Faigo Hotpot**						**Unallocated**	**Total**
	Shanghai	**Beijing**	**Others**	**Subtotal**	**Shanghai**	**Beijing**	**Wuxi**	**Nanjing**	**Others**	**Subtotal**		
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	**27,213**	**2,157**	**1,766**	**31,136**	**31,414**	**3,288**	**4,507**	**87**	**6,886**	**46,182**	**—**	**77,318**
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset	**(7,060)**	**(1,942)**	**(921)**	**(9,923)**	**(25,017)**	**(2,014)**	**(464)**	**(42)**	**(3,939)**	**(31,476)**	**(520)**	**(41,919)**
Operating losses	**(1,332)**	**(1,150)**	**(1,826)**	**(4,308)**	**(24,990)**	**(2,224)**	**(2,117)**	**(500)**	**(3,012)**	**(32,843)**	**(11,273)**	**(48,424)**
Loss before income tax	**(1,381)**	**(1,290)**	**(1,823)**	**(4,494)**	**(26,784)**	**(2,173)**	**(2,373)**	**(299)**	**(3,393)**	**(35,022)**	**(12,881)**	**(52,397)**

	Six months ended 30 June 2019 (Unaudited)												
	Faigo				Xiao Faigo Hotpot							Unallocated	Total
	Shanghai	Beijing	Others	Subtotal	Shanghai	Beijing	Wuxi	Nanjing	Hangzhou	Others	Subtotal		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	38,678	5,022	4,925	48,625	123,495	16,216	13,591	3,546	2,964	29,467	189,279	—	237,904
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset	(6,598)	(2,142)	(2,132)	(10,872)	(55,323)	(9,801)	(1,233)	(3,025)	(1,273)	(11,971)	(82,626)	(610)	(94,108)
Operating profit/(losses)	1,515	(1,329)	(2,991)	(2,805)	(18,066)	(2,374)	(1,990)	(519)	(434)	(5,382)	(28,765)	(29,134)	(60,704)
Profit/(loss) before income tax	1,515	(1,329)	(4,137)	(3,951)	(18,066)	(2,374)	(1,990)	(519)	(434)	(6,528)	(29,911)	(35,870)	(69,732)

(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 Six months ended 30 June		**Non-current assets**	
			At 30 June	At 31 December
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
The PRC	**77,318**	237,904	**131,940**	211,447

(C) Information about major customers

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

The Group's customer base is diversified. No individual customer (2019: nil) had transactions which exceeded 10% of the Group's aggregate revenue for the six months ended 30 June 2020.

(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:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major product lines		
— Hotpot business	**77,318**	237,904

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

3. EMPLOYEE BENEFIT AND RELATED EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Wages and salaries	**6,634**	8,322
Defined contribution plan *(Note i)*	**850**	5,022
Other social security costs and housing benefits	**526**	623
Other employee benefits	**2,078**	3,974
Labour outsourcing expenses *(Note ii)*	**25,366**	51,288
	35,454	69,229

Notes:

(i) Employees of the Group established in the PRC are required to participate in a retirement benefit scheme administered and operated by the PRC government. The Group is required to contribute 14.0% to 22.5% of payroll costs as determined by respective local government authorities to the designated pension fund. The only obligation of the Group with respect to retirement benefit scheme is to make the specific contributions under the scheme.

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

4. LOSS FROM OPERATING ACTIVITIES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss from operating activities has been arrived at after charging/ (crediting):		
Amortisation of intangible asset	**88**	104
Depreciation of property, plant and equipment	**11,105**	18,850
Depreciation of right-of-use assets	**25,067**	41,953
Impairment of right-of-use assets	**4,492**	12,612
Impairment of property, plant and equipment	**1,167**	13,342
Short-term lease payment	**14**	1,043
Low-value asset lease payment	**444**	637
Gain on leases cancellation[1]	**(11,743)**	—
Loss on disposal of property, plant and equipment[1]	**2,637**	832
Rent concessions income[1]	**(4,326)**	—
Allowance for/(reversal of) expected credit loss on trade and other receivables	**23**	(893)
Cleaning fee[2]	**683**	4,403
Transportation expenses[2]	**870**	1,837
Promotion and marketing expenses[2]	**1,132**	1,767
Travelling expenses[2]	**136**	1,381
Repair and maintenance fee[2]	**1,896**	1,563
Professional service expenses[2]	**3,975**	3,755

1 These items were grouped under other gains/(losses), net.

2 These items were grouped under other expenses.

5. INCOME TAX (EXPENSE)/CREDIT

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income tax		
— Current tax	**—**	—
Deferred tax	**(377)**	14,242
Income tax (expense)/credit	**(377)**	14,242

6. LOSS PER SHARE

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

Loss:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(52,465)**	(55,205)

Number of shares:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,373,602,437**	5,153,550,000

For the six months ended 30 June 2020 and 2019, the computation of diluted loss per share does not assume that the conversion of the outstanding convertible bonds since their conversion would result in a decrease in loss per share.

The weighted average number of share used for the purpose of calculating basic loss per share for the six months ended 30 June 2019 is determined by reference to the number of shares in issue adjusted with the effect of convertible bonds converted during the period.

7. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Right-of-use assets:		
Shops	**48,056**	110,279
Offices	**11,337**	12,866
Warehouses	**221**	299
	59,614	123,444

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Lease liabilities payables:		
— Within one year	**15,097**	45,160
— More than one year but not more than two years	**22,433**	57,779
— More than two years but less than five years	**40,280**	49,679
— More than five years	**30**	379
	77,840	152,997

The Group obtains right to control the use of various shops, offices and warehouses for a period of time through lease arrangements. Rental contracts are typically made for fixed periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the six months ended 30 June 2020, total cash outflow for leases of approximately RMB26,309,000 (six months ended 30 June 2019: RMB38,033,000) was included in net cash used in financing activities.

For the purposes of assessing impairment, assets are grouped at each store level for which there are separately identifiable cash flows (cash-generating units). An impairment loss was recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. These calculations used income approach-discounted pre-tax cash flow method based on financial budgets approved by management. The key assumptions used for impairment tests for right-of-use assets as at 30 June 2020 and 2019 are the revenue growth rates which are based on the estimated growth rate of each restaurant store unit taking into account the budgeted gross margin, the industry growth rate, past experience and the management expectation for the restaurant business.

During the year ended 30 June 2020, the right-of-use assets of several stores were impaired due to the continuous loss-making situation. The management used "value in use" as the recoverable amount of each store.

The Group recognised impairment loss of approximately RMB4,492,000 (six months ended 30 June 2019: RMB12,612,000) to right-of-use assets for the six months ended 30 June 2020 by comparing each store's recoverable amount with its carrying amounts.

8. TRADE RECEIVABLES

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Trade receivables	**4,486**	7,041
Less: Allowance for expected credit loss	**(1,142)**	(1,134)
	3,344	5,907

As at 30 June 2020 and 31 December 2019, 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, were as follows:

	At 30 June 2020 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Up to 6 months	**2,191**	4,886
6 months to 1 year	**1,153**	1,021
	3,344	5,907

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

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Included in non-current assets:		
Rental deposits		
— non-current portion	**22,499**	22,719
Included in current assets:		
Rental deposits		
— current portion	**1,419**	8,158
Rental and utilities prepayments	**2,363**	7,455
Raw materials procurement prepayments	**10,878**	11,406
Value added tax inputs	**23,784**	26,696
Staff advances	**627**	765
Other receivables and prepayments due from related parties	**2,903**	2,900
Others	**511**	167
Less: Allowance for expected credit loss	**(2,028)**	(2,013)
	40,457	55,534

10. SHARE CAPITAL

Share capital of the Company

	Number of shares	Amount in HK$'000	Amount in RMB'000
Authorised			
As at 31 December 2019 (Audited), 30 June 2020 (Unaudited)	19,000,000,000	380	306

	Number of shares	Amount in HK$'000	Amount in RMB'000
Issued and fully paid			
As at 31 December 2019 (Audited), 30 June 2020 (Unaudited)	6,373,602,437	128	109

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Trade payables	**47,932**	52,865
Other payables	**84,494**	64,436
Staff costs and welfare accruals	**63,155**	70,173
	195,581	187,474

As at 30 June 2020 and 31 December 2019, the aging analysis of the trade payables based on invoice date were as follows:

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Less than 1 year	**44,711**	46,170
1 to 2 years	**2,762**	5,618
2 to 3 years	**392**	984
Over 3 years	**67**	93
	47,932	52,865

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

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

Revenue

The outbreak of COVID-19 coronavirus since early 2020 has materially and adversely impacted the revenue from restaurant's operations. For the six months ended 30 June 2020 (the "Period"), the Group's revenue decreased by approximately 67.5% to approximately RMB77.3 million from approximately RMB237.9 million in the last corresponding period.

Foods and beverage and other materials consumables used

The Group's foods and beverage and other materials consumables costs mainly represent the costs of food ingredients for the hotpot business. The foods and beverage and other materials consumables costs decreased by approximately 62.3% to approximately RMB34.7 million for the six months ended 30 June 2020 from approximately RMB92.1 million in the last corresponding period. Gross profit margin of the Group decreased to approximately 55.1% during the Period (2019: approximately 61.3%).

Employee benefit and related expenses

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

The employee benefit and related expenses decreased by approximately 48.7% to approximately RMB35.5 million for the six months ended 30 June 2020 from approximately RMB69.2 million in the last corresponding period, which was mainly attributable to the closure of 41 restaurants during the Period, wages and salaries expenses and labour outsourcing expenses decreased from approximately RMB59.6 million in 2019 to approximately RMB32.0 million in 2020.

Property rentals and related expenses

Further to the closure of 41 restaurants, property rentals and related expenses decreased by approximately 32.8% to approximately RMB11.9 million for the six months ended 30 June 2020 from approximately RMB17.7 million in the last corresponding period.

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

Further to the closure of restaurants, the Group's depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets and intangible asset decreased by approximately 55.5% to approximately RMB41.9 million for the six months ended 30 June 2020 from approximately RMB94.1 million in the last corresponding period.

Other expenses

The Group's other expenses, which mainly consist of professional service expenses, repair and maintenance fee and promotion and marketing expenses, decreased by approximately 31.5% to approximately RMB11.5 million for the six months ended 30 June 2020 from approximately RMB16.8 million in the last corresponding period, which was mainly attributable to the decrease in cleaning fee for approximately RMB3.7 million and travelling expenses for approximately RMB1.3 million.

Other gains/(losses)

During the Period, the Group recorded other gains of approximately RMB13.8 million as compared to other losses of approximately RMB0.1 million in 2019, which was mainly attributable to the gain on leases cancellation due to the lease termination of approximately RMB11.7 million when closure of restaurants and the rent concessions income of approximately RMB4.3 million due to application of amendment of IFRS 16 "Covid-19 Rent Concession".

Finance expenses

The Group's finance expenses, which mainly consists of lease liabilities, bank charges and inputted interest on convertible bonds, decreased by approximately 55.6% to approximately RMB4.0 million for the six months ended 30 June 2020 from approximately RMB9.0 million in the last corresponding period, which was mainly attributable to the decrease in finance expenses charged on lease liabilities as follow to the closure of restaurants.

Loss for the period

Loss for the period attributable to owners of the Company was approximately RMB52.5 million (six months ended 30 June 2019: approximately RMB55.2 million). Basic loss per share for the Period was approximately RMB0.01 (six months ended 30 June 2019: approximately RMB0.01). Loss for the period mainly attributable to the outbreak of COVID-19 coronavirus since early 2020 has materially and adversely impacted the revenue from restaurant's operations.

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2020, the Group recorded cash and bank balances amounting to approximately RMB1.7 million (31 December 2019: approximately RMB5.3 million) and the net current liabilities value was approximately RMB200.3 million (31 December 2019: approximately RMB182.5 million).

The net liabilities value per share of the Company was approximately RMB2.11 cents as at 30 June 2020 (31 December 2019: net liabilities value per share of approximately RMB1.49 cents). The net liabilities value per share was computed based on 6,373,602,437 and 5,517,313,735 weighted average number of ordinary shares as at 30 June 2020 and 31 December 2019 respectively.

The Group's gearing ratio as at 30 June 2020 was approximately 0.03 (31 December 2019: approximately 0.01), being a ratio of total debts, including borrowings and convertible bonds, of approximately RMB6.1 million (31 December 2019: approximately RMB2.9 million) to the total assets of approximately RMB195.2 million (31 December 2019: approximately RMB305.3 million).

USE OF PROCEEDS FROM SHARE PLACING

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

The completion of Share Placing took place on 4 July 2018. An aggregate of 757,875,000 ordinary shares of HK$0.00002 each with aggregate nominal value of HK$15,157.50 (the "Placing Shares") were placed at the placing price of HK$0.1025 per Placing Share pursuant to the terms and conditions of the Placing Agreement. The Placing Shares were issued under a specific mandate obtained at the extraordinary general meeting held on 28 May 2018. The net proceeds from the Share Placing (after deducting the expenses) were approximately HK$75.73 million. As previously disclosed in the circular of the Company dated 9 May 2018, the Company intended to apply the net proceeds of approximately HK$75.73 million from the Share Placing to expand and develop the business of the Group.

As at 30 June 2020, the Group utilized the net proceeds from the Share Placing as to approximately HK$75.73 million for the expansion and development of the business of the Group.

PLEDGE OF ASSETS

As at 30 June 2020, the Company had no charges on its assets (31 December 2019: Nil).

CHANGE OF DIRECTORS

Mr. Chen Jun has resigned as an executive Director with effect from 8 May 2020.

Mr. Chan Chun Yiu Thomas has resigned as an independent non-executive Director with effect from 30 June 2020.

Mr. Cheung Ting Pong has been appointed as an independent non-executive Director with effect from 30 June 2020.

CAPITAL STRUCTURE

For the six months ended 30 June 2020, there was no change in the capital structure and issued share capital of the Company.

INVESTMENT POSITION AND PLANNING

There was no 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) for the six months ended 30 June 2020.

CONNECTED TRANSACTIONS

For the six months ended 30 June 2020, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

FOREIGN CURRENCY RISK

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

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 30 June 2020 was 911 (31 December 2019: 1,784). Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

CONTINGENT LIABILITIES

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

On the Acquisition Date, the Group applied the Reverse Acquisition method of accounting and recognised the identifiable assets and liabilities of the Company as at that date, including the recorded accrued expenses and other payables of approximately RMB37,578,000.

These recorded accrued expenses and other payables do not include any of the unknown liabilities of the Company brought forward from 1 January 2018, which included the amount due to a deconsolidated subsidiary of approximately RMB882,000 (equivalent to approximately HK$1,028,000) and unknown other payables of approximately RMB15,182,000 (equivalent to approximately HK$17,694,000) (collectively, the "Unknown Liabilities"). For the details, please refer to Notes 2.1 and 32 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2019.

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

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

The directors of the Company considered that the origin of the Unknown Liabilities is unlikely to be created under a deed and among other reasons, given actions founded on simple contract shall not be brought after 6 years from the date on which the cause of actions accrued pursuant to the Limitation Ordinance (Laws of Hong Kong Chapter 347), any potential creditors would be statutorily barred from taking action against another person 6 years after the date when the liabilities were due, unless such liabilities was created under deed, in which case, the limitation period shall be 12 years from the date of the liabilities were due. As the Unknown Liabilities were incurred during the year ended 31 December 2012 and 2013, the payment obligation is expired as at 31 December 2019.

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

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

EVENTS AFTER REPORTING PERIOD

There were no significant events occurred after the reporting period.

PROSPECTS

The Group plans to open more restaurants in order to expand and develop the business of the Group in the coming financial years as intended. However, due to the current poor sentiment of the food and beverages market in the PRC and the uncertainty over the impact of the Sino-US trade war and the COVID-19 coronavirus outbreak, it is prudent for the Board to withhold the planned expansion.

Targeting the High-End Segment

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

Inclusive of New Food Ingredients and Flavors

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

Growth of Delivery Business

Delivery food service is growing fast in the PRC in the past few years. The Group plans to strengthen our competitiveness in the delivery segment to fully utilize the business hours of rush hours in a day such as lunch and dinner time to improve our revenue density. The Group will closely cooperate with online ordering and delivery platforms to promote the delivery business.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 10 October 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ha Kee Choy Eugene (being the chairman of the Audit Committee), Mr. Tam Bing Chung Benson and Mr. Cheung Ting Pong.

The Audit Committee has reviewed with the Board the accounting principles and practices adopted by the Company and discussed the internal control and financial reporting matters including the review of the unaudited condensed interim financial statements and results of the Company for the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

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. The Board strived to uphold good corporate governance and adopt sound corporate governance practices. The principles and the code provisions of the CG Code contained in Appendix 14 of the Listing Rules have been adopted by the Company.

In accordance with the requirements of the Listing Rules, the Company has established the Audit Committee with defined term of reference. The Company has also established a nomination committee and a remuneration committee with defined terms of reference. The terms of reference of these Board committees are available on the Stock Exchange's website and the Company's website.

During the six months ended 30 June 2020, the Company has complied with the CG Code except for the deviation from the code provisions which are explained below.

Code Provision A.2.1

The role of the chairman of the Board is performed by Mr. Hung Shui Chak ("Mr. Hung") who possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board believes that vesting the role of the chairman in Mr. Hung provides the Company with strong and consistent leadership, facilitates effective and efficient planning, implementation of business decisions and strategies, and ensures the generation of benefits to the shareholders of the Company.

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

Code Provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Ha Kee Choy Eugene, an independent non-executive Director, is not appointed for a specific term as required under code provision A.4.1 but is subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules (the "Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors held offices during the six months under review. All Directors have confirmed that they complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 26 August 2020

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. Ha Kee Choy Eugene, Mr. Tam Bing Chung Benson and Mr. Cheung Ting Pong.