1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8495

Annual Report 2017

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "**Directors**") of 1957 & Co. (Hospitality) Limited (the "**Company**" or "**1957 & Co.**", together with its subsidiaries, the "**Group**" or "**We**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kwok Chi Po *(Chief Executive Officer)*
Mr. Kwan Wing Kuen Tino
Mr. Lau Ming Fai
Mr. Leung Nicholas Nic-hang

Non-executive Director

Mr. Leung Chi Tien Steve *(Chairman)*

Independent Non-executive Directors

Mr. How Sze Ming
Mr. Ng Wai Hung
Mr. Chan Kam Kwan Jason

AUDIT COMMITTEE

Mr. How Sze Ming *(Chairman)*
Mr. Ng Wai Hung
Mr. Chan Kam Kwan Jason

REMUNERATION COMMITTEE

Mr. Chan Kam Kwan Jason *(Chairman)*
Mr. Kwok Chi Po
Mr. How Sze Ming

NOMINATION COMMITTEE

Mr. Leung Chi Tien Steve *(Chairman)*
Mr. Ng Wai Hung
Mr. Chan Kam Kwan Jason

AUTHORISED REPRESENTATIVES

Mr. Kwok Chi Po
Mr. Fong Chi Wing

COMPANY SECRETARY

Mr. Fong Chi Wing

COMPLIANCE OFFICER

Mr. Kwok Chi Po

LEGAL ADVISERS

as to Hong Kong law
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Emperor Commercial Centre
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as to Cayman Islands and BVI law
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Hutchins Drive
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Cayman Islands

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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COMPLIANCE ADVISER

Halcyon Capital Limited
11th Floor, 8 Wyndham Street
Central, Hong Kong

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cricket Square, Hutchins Drive
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
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PRINCIPAL BANKERS

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11/F, the Center
99 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.1957.com.hk

STOCK CODE

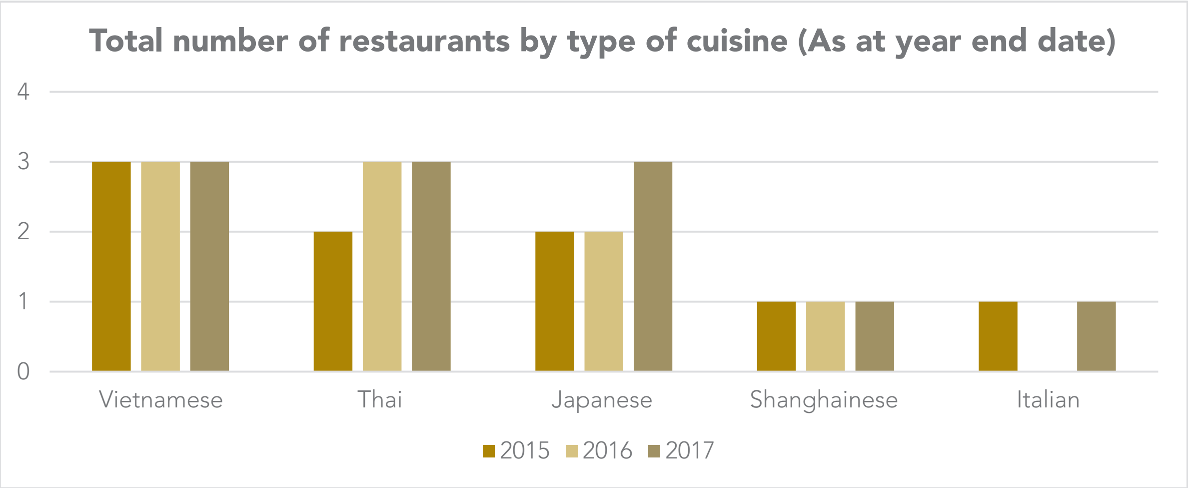
8495

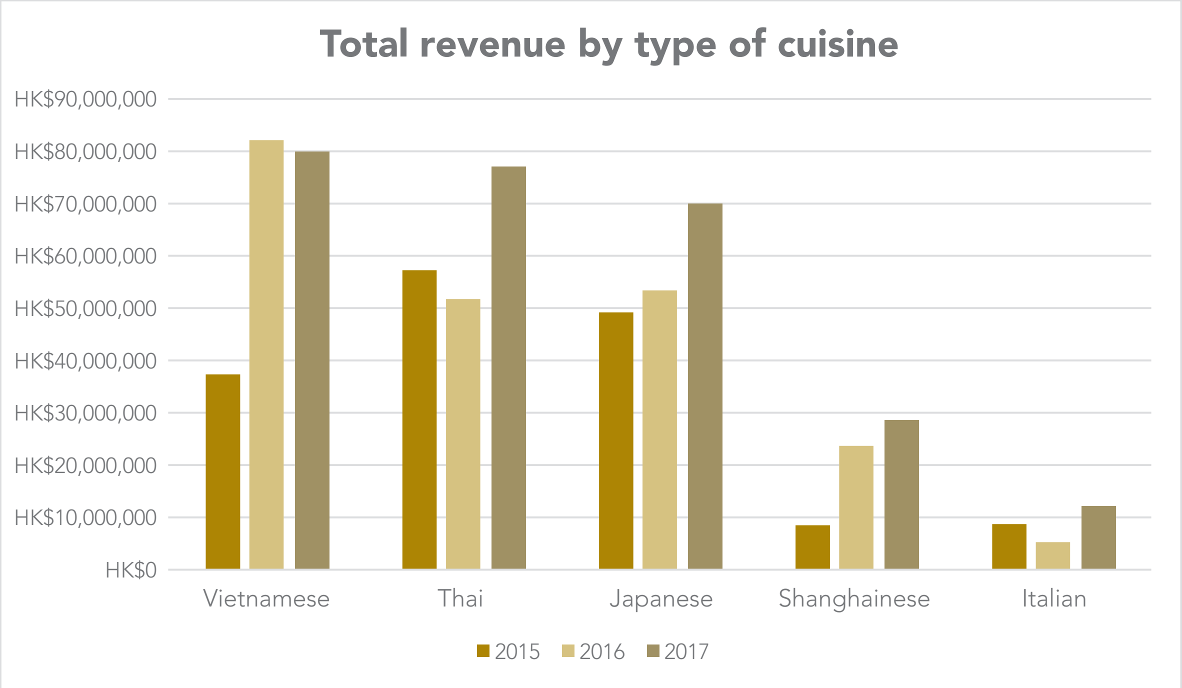
DATE OF LISTING

5 December 2017

Financial Highlights

	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**269,992**	217,793	161,750
Profit before tax and listing expenses	**6,945**	6,456	16
(Loss)/profit before tax	**(9,049)**	1,760	16
Net (loss)/profit attributable to owners of the Company	**(11,094)**	359	643
Total assets	**352,118**	202,998	207,367
Total liabilities	**261,125**	155,192	183,902
Net assets	**90,993**	47,806	23,465





Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to announce the Group's first annual results since the listing of the shares of the Company on the GEM of the Stock Exchange for the year ended 31 December 2017.

During the year, the Company successfully listed its shares on the GEM of the Stock Exchange by way of share offer in December 2017 (the "**Listing**"). The successful Listing represented recognitions and appreciations of the effort, devotion and support of our business partners, staff, senior management and shareholders since our establishment, and is also an encouragement to the Board in expanding the restaurant portfolio with the concept "Create an Original Lifestyle". The net proceeds of approximately HK$24.3 million have been received from the share offer , which has also strengthened the Group's financial position for further expansion and development of its food and beverage business.

FINANCIAL RESULTS

For the year ended 31 December 2017, the total Group revenue was approximately HK$270.0 million (2016: HK$217.8 million). Loss for the year attributable to the owners of the Company was approximately HK$11.1 million (2016: Profit of approximately HK$0.4 million). The significant decrease in profit was mainly attributable to the non-recurring listing expenses of approximately HK$16.0 million (2016: HK$4.7 million) and partially by the start-up operating costs for three new restaurants opened during the year and the pre-opening lease-related expenses for one new restaurant opened in January 2018 and one new restaurant to be opened in late March or early April 2018. Nevertheless, if the listing expenses had been excluded, the Group would have recorded an adjusted net profit of approximately HK$5.2 million (2016: HK$5.2 million) despite three restaurants being opened during the year ended 31 December 2017 (2016: one).

BUSINESS REVIEW AND PROSPECTS

Currently, we are operating eleven restaurants in Hong Kong, comprising six under our own brands and five under franchise or sub-license arrangements. We believe our multi-brand strategy enables us to target customers with different tastes and preferences, allowing us to benefit from the diversification of revenue sources.

During the year and up to the date of this report, the Group has opened four new restaurants of different cuisines under four different brands, namely Hokkaidon, Mango Tree Cafe, Paper Moon and 10 Shanghai. The Group has closed down our Sushi Ta-ke Restaurant which was located in a commercial premises in Causeway Bay following the expiry of its lease term in February 2018. The restaurant will be relocated to Lee Garden Two of Causeway Bay in late March or early April 2018 and renamed as Ta-ke Restaurant through introduction of better place, better space and menu offering more choices. The expansion of our restaurants portfolio could provide freshness to our customers and further diversifies our offerings to broaden our customer bases.

Apart from operating our own restaurants, we also offer restaurant management and consultancy services in Hong Kong and the PRC. Looking forward, the Company may, from time to time, invest in minority stakes in restaurant businesses in the PRC which carry our brands and are managed by us as and when we consider appropriate.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, business partners, and shareholders for their persistent support, while also expressing my appreciation to the management team and employees for their valuable contribution to the development of the Group.

Leung Chi Tien Steve
Chairman

Hong Kong, 20 March 2018

Management Discussion and Analysis

The Group is a Hong Kong-based restaurant operation and management group that offers a variety of specialty cuisines in restaurants designed by award-winning interior and lighting designers.

During the year ended 31 December 2017, the Group had been principally engaged in operating full service restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provides catering management and consultancy services in Hong Kong and the PRC.

INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 5 February 2018, the value of total receipts of the restaurants sector was provisionally estimated at HK$112.7 billion for the whole year of 2017, representing an increase of approximately 5.0% in value and 2.3% in volume compared with the whole year of 2016. Over the same period, the provisional estimate of the value of total purchases of restaurants increased by approximately 2.2% to approximately HK$36.3 billion.

Analysed by type of restaurant and comparing the whole year of 2017 with the whole year of 2016, total receipts of non-Chinese restaurants took the lead in growth which increased by 6.3% in value and 3.9% in volume, as compared to the increase of 3.8% in value and 1.0% in volume recorded by Chinese restaurants. Total receipts of fast food shops increased by 5.7% in value and 2.7% in volume. Total receipts of bars increased by 4.1% in value and 5.2% in volume. As for miscellaneous eating and drinking places, total receipts increased by 5.5% in value and 2.0% in volume.

Taking into account of the general growth across all segments of the catering industry and the expected steady economic growth in Hong Kong, the Group believes that there will be a steady growth of the local catering market in the future and is full of confidence towards the prospects of the catering industry in Hong Kong.

BUSINESS REVIEW

During the year ended 31 December 2017, the Group has opened three new restaurants of different cuisines under three different brands, namely Hokkaidon, Mango Tree Café and Paper Moon, among which Paper Moon is a new sub-licensed brand that the Group secured during 2017. Meanwhile, the Group has also renamed the restaurant in YOHO Mall serving Vietnamese cuisine to Petit An Nam Restaurant and reengineered the menu in April 2017 to include more suitably priced food items to cater for the Group's target customers for this restaurant.

As at 31 December 2017, the Group had a total of eleven restaurants under four self-owned brands, namely, Sushi Ta-ke, An Nam (including its junior brand, Petit An Nam), Modern Shanghai and Hokkaidon and three franchised or sub-licensed brands, namely, Mango Tree (including its junior brand, Mango Tree Café), Gonpachi and Paper Moon. During the year ended 31 December 2017, none of our restaurants had undergone significant renovation.

As disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 23 November 2017 (the "**Prospectus**"), the Group will continue to open new restaurants in Hong Kong going forward, and will invest in minority stake of up to 25% in certain holding companies of restaurants to be opened in the PRC.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2017, approximately 99.1% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.9% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 31 December 2017, the Group was operating eleven (2016: eight) restaurants, of which three (2016: one) restaurants were newly opened and no restaurant was closed down during the year ended 31 December 2017 (2016: two). Bella Vita Restaurant and Mango Tree (Cubus) Restaurant were closed in the second half of 2016.

The revenue of the Group increased by approximately 24.0% from approximately HK$217.8 million for the year ended 31 December 2016 to approximately HK$270.0 million for the year ended 31 December 2017. The increase in revenue was principally due to the higher number of operating restaurants during the year under review and the fact that the new restaurants opened in 2017 recorded more revenue than the two restaurants closed in 2016.

The Group's restaurants served mainly five different cuisines during the year. The table below sets forth a breakdown of the Group's revenue generated by operation of restaurants by type of cuisine and as a percentage of total revenue generated by operation of restaurants for the years indicated:

	For the year ended 31 December			
	2017		2016	
	Revenue HK$'000	**% of total revenue from operation of restaurant (%)**	Revenue HK$'000	% of total revenue from operation of restaurant (%)
Vietnamese	**80,579**	**30.1**	82,108	38.0
Thai	**76,961**	**28.8**	51,726	23.9
Japanese	**70,015**	**26.2**	53,410	24.7
Shanghainese	**28,848**	**10.8**	23,679	11.0
Italian	**11,131**	**4.1**	5,269	2.4
Total revenue from operation of restaurants	**267,534**	**100**	216,192	100

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants decreased slightly by approximately HK$1.5 million, or approximately 1.9%, from approximately HK$82.1 million for the year ended 31 December 2016 to approximately HK$80.6 million for the year ended 31 December 2017.

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants increased by approximately HK$25.2 million, or approximately 48.8%, from approximately HK$51.7 million for the year ended 31 December 2016 to approximately HK$77.0 million for the year ended 31 December 2017. Such increase was mainly due to a new Thai restaurant opened during the year.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK$16.6 million, or approximately 31.1%, from approximately HK$53.4 million for the year ended 31 December 2016 to approximately HK$70.0 million for the year ended 31 December 2017. Such increase was mainly due to contribution of revenue from Hokkaidon which was opened in January 2017.

Shanghainese-style restaurant

The revenue generated from operation of Shanghainese-style restaurant increased by approximately HK$5.2 million, or approximately 21.8%, from approximately HK$23.7 million for the year ended 31 December 2016 to approximately HK$28.8 million for the year ended 31 December 2017. Such increase was mainly due to opening of a new MTR exit nearby our restaurant that increases potential customers.

Italian-style restaurants

The revenue generated from operation of Italian-style restaurants increased by approximately HK$5.9 million, or approximately 111.3%, from approximately HK$5.3 million for the year ended 31 December 2016 to approximately HK$11.1 million for the year ended 31 December 2017. Such increase was in fact attributable to the respective revenues from two different Italian restaurants namely Bella Vita Restaurant, which operated for around 8.5 months during 2016, and Paper Moon Restaurant, which operated for only approximately 3.3 months during 2017 respectively.

Cost of inventories sold

The cost of inventories consumed mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Cost of inventories consumed is one of the major components of the Group's operating expenses which amounted to approximately HK$58.8 million and HK$71.7 million for each of years ended 31 December 2016 and 2017, respectively, representing approximately 27.2% and 26.8% of the Group's total revenue generated from operation of restaurants for the corresponding year. The decrease in cost of inventories sold as a percentage of revenue was attributed by the stronger increase in revenue of restaurants with higher gross profit margin.

Other gains/losses and income

During the two years ended 31 December 2016 and 2017, the Group's other gains/losses and income mainly comprised of gain/loss on disposal of property, plant and equipment ("**PP&E**"), gain/loss on early termination of a lease contract and sundry income.

The other gains/losses and income decreased from approximately HK$1.0 million for the year ended 31 December 2016 to other income and losses of approximately HK$48,000 for the year ended 31 December 2017, representing a decrease of approximately 104.7%, which was mainly resulting from the decrease in gain on disposal of PP&E during the year ended 31 December 2017.

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits, and were one of the largest components of the operating expenses of the Group. The staff costs increased from approximately HK$73.8 million for the year ended 31 December 2016 to approximately HK$87.1 million for the year ended 31 December 2017, representing an increase of approximately 18.0% in comparison. Such increase was mainly due to the expansion of the restaurant portfolio of the Group and the increase in the number of staff in relation thereto.

Due to the general increase in labour costs in Hong Kong, the salary level of employees in the catering industry in Hong Kong has generally increased in recent years. The Directors expect the staff costs to continue to increase as inflationary pressures in Hong Kong continue to drive up.

The Directors recognise the importance of retaining quality staff while believe that the resulting upward pressure on the total staff costs as a percentage of total revenue could be mitigated by (i) prioritising internal transfers and re-allocations of employees from existing restaurants; (ii) increasing productivity of the staff by providing training; and (iii) minimising attrition levels by continuing to implement various employee retention initiatives to promote employee loyalty and motivate the employees.

Depreciation, amortisation and impairment

The Group recorded depreciation, amortisation and impairment of approximately HK$43.7 million and HK$56.8 million for the years ended 31 December 2016 and 2017, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment. The increase of depreciation, amortisation and impairment for the year ended 31 December 2017 as compared to that of the year ended 31 December 2016 was mainly due to the numbers of new restaurants increased in 2017 compared to that of 2016 .

The depreciation charged on the right-of-use assets amounted to approximately HK$31.0 million and HK$41.3 million for the years ended 31 December 2016 and 2017, respectively. The depreciation of the right-of-use assets was charged on a straight-line basis over the lease term. The lease terms of the leased premises are generally between one to six years, with some lease agreements provide an option for the Group to renew such lease terms, exercisable at our discretion.

The depreciation charged for the leasehold improvements amounted to approximately HK$9.4 million and HK$11.7 million, for the years ended 31 December 2016 and 2017, respectively. The depreciation of the leasehold improvements was charged on a straight-line basis over the shorter of five years or the remaining lease terms. As a result, if the Group extended or renewed the lease term of the restaurants without incurring a renovation cost exceeding the original renovation costs of the relevant restaurants, the then depreciation of leasehold improvements attributable to the relevant restaurant will be reduced. During the year and up to the date of this report, the Group renewed our lease for three of the restaurants without incurring material renovation costs.

As the Group intends to continue to open new restaurants and expand the restaurant network, the Directors expect the property rentals and related expenses to increase generally in the future. Besides, the Director will continue to look for better control in the property, rental and related expenses, such as entering into long-term rental agreements so as to maintain the rentals at a reasonable level.

Rental expenses

The rental expenses, which mainly represent turnover rent, for the year ended 31 December 2017 amounted to approximately HK$5.3 million, representing an increase of approximately 25.1% as compared with that of the year ended 31 December 2016 which amounted to approximately HK$4.2 million. Such increase was mainly due to the increased number of restaurants operated during the year.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the years ended 31 December 2016 and 2017, the total utility amounted to approximately HK$6.3 million and HK$7.3 million, respectively. Such increase was mainly due to the increased number of restaurants operated during the year.

Income tax expenses

The income tax expenses increased from approximately HK$1.2 million for year ended 31 December 2016 to approximately HK$1.7 million for the year ended 31 December 2017.

Finance costs

The Group's finance costs increased from approximately HK$3.4 million for the year ended 31 December 2016 to approximately HK$4.8 million for the year ended 31 December 2017 due to the increased amount of loan borrowings from the banks and lease liabilities arising from new restaurants opened during the year.

Loss/profit for the year

The Group recorded a loss of approximately HK$10.8 million for the year ended 31 December 2017 as compared to a profit of approximately HK$0.6 million for the corresponding year in 2016. The loss was mainly attributable to the increase of listing expenses of approximately HK$11.3 million.

Use of net proceeds from the Listing

The Company was successfully listed on the GEM on 5 December 2017 (the "**Listing Date**") by way of share offer of 80,000,000 new shares in the Company (the "**Share Offer**") at the offer price of HK$0.63 each, and the net proceeds from the Share Offer, after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$24.3 million.

In line with the business plan as disclosed in the Prospectus, the Company intends to use (i) approximately HK$3.0 million for the settlement of part of the setting up and opening costs of Paper Moon Restaurant under the sub-licensed Italian brand in Hong Kong; (ii) approximately HK$8.2 million for the set up and opening of a restaurant under Modern Shanghai brand in Hong Kong; (iii) approximately HK$11.3 million for the set up and opening of one restaurant under a refined Ta-ke brand in Hong Kong; (iv) approximately HK$21.1 million for the set up and opening of one Hokkaidon restaurant in Hong Kong; and (v) approximately HK$0.7 million for the development of restaurant pre-opening consultancy and management consultancy services in the PRC.

The following sets forth the comparison between the intended uses of net proceeds from the Share Offer based on the Group's plan as set out in the Prospectus and the actual usage during the period under review:

Objectives	Planned use of proceeds from the Listing Date to 31 December 2017:	Actual use of proceeds from the Listing Date to 31 December 2017:
1. Continue to develop our brand portfolio and expand our restaurant network		
(a) Settlement of part of the setting up and opening costs of Paper Moon Restaurant	HK$2.70 million	HK$0.2 million
(b) Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay Hong Kong	HK$6.53 million	HK$3.7 million
(c) Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay Hong Kong	HK$9.09 million	HK$6.2 million
2. Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	HK$0.35 million	Nil

The Directors will constantly evaluate the Group's business objective and may change or modify the plans against the changing market condition to suit the business growth of the Group. Should there be any change in the use of proceeds from the Share Offer, the Group will make adequate announcement(s) in accordance with the requirements under the GEM Listing Rules as and when appropriate.

All the unutilised balances have been placed in licensed banks in Hong Kong.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

The followings are the principal risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations:

1. During the year ended 31 December 2017, the Group generated 99.1% of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

   Cost of inventories sold, staff cost and depreciation contributed majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of our Group:

   1. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.

   2. Minimum wage requirements in Hong Kong was raised from HK$32.5 per hour to HK$34.5 per hour with effect from 1 May 2017, and may further increase and affect our staff costs in the future.

   3. As at 31 December 2017, the Group leased all the properties for its restaurants operating in Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this annual report, the Group did not have other plans for material investments and capital assets as of the date of this report.

COMPARISON OF BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to the date of this report is set out below:

		Business plan as stated in the Prospectus	Actual business progress up to 31 December 2017
1.	Continue to develop our brand portfolio and expand our restaurant network	Settlement of part of the setting up and opening costs of Paper Moon Restaurant	Settlement of the costs for Paper Moon
		Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong	10 Shanghai Restaurant has opened in January 2018
		Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong	Ta-ke Restaurant is scheduled to open in late March/early April 2018
2.	Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	Identifying new sources of PRC clients	Negotiating for a new pre-opening consultancy contract in PRC
3.	Enhance our brand recognition by continuing to bring high quality ingredients and new dishes to our customers	Marketing activities including media tasting, special menu promotion and joint promotions with different organisations	The Group has held certain activities including distribution of souvenirs with Company's logo to frequent customers and business partners; media tasting events at new restaurant opening; and launch of different seasonal menus for different festivals

The Group will continue to adhere to this objective by (i) increasing sales volume; (ii) optimising restaurant-level staffing; and (iii) maximising the utilisation of food ingredients.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

The change in the capital structure of the Group from 31 December 2016 to 31 December 2017 are set out in note 20 to the consolidated financial statements.

Cash position

As at 31 December 2017, the cash and cash equivalents of the Group amounted to approximately HK$56.4 million (2016: approximately HK$23.9 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 136.0% as compared to that at 31 December 2016. The increase was mainly due to the net proceeds from the Share Offer.

Borrowings

As at 31 December 2017, the total borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK$37.6 million (2016: approximately HK$19.4 million) that bears floating interest rates from 3.0% to 3.7% per annum as at 31 December 2017. No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the borrowings is set out in note 24 to the consolidated financial statements.

Save as disclosed, the Group did not have other borrowings for the years ended 31 December 2016 and 2017.

Pledge of assets

As at 31 December 2017, a total of HK$12.8 million pledged deposits provided by the Group held at banks as security for a rental deposit of our lease and as securities for the bank borrowings (2016: HK$6.1 million).

Gearing ratio

As at 31 December 2017, the gearing ratio of the Group was approximately 41.3% (2016: approximately 41.3%). The slight increase was mainly attributable to two new bank borrowings drawn down netting off by the net proceeds from the Share Offer which enlarged the capital base of the Group and the contribution of funding from our JV partners during the year ended 31 December 2017. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, amount due to non-controlling interests and an associate, divided by the total equity of the Company at the end of the respective period.

COMMITMENTS

The Group was committed to make future minimum lease payments in respect of certain restaurants, staff quarters and warehouses under non-cancellable operating leases. The Group’s operating lease commitments not yet commenced at the end of the period were nil as at 31 December 2017 (2016: approximately HK$26.6 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

The Group did not have any material acquisition nor disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2017.

The Group has disposed the entire 20% interest in two PRC joint venture companies holding restaurants in December 2016.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group's outstanding capital commitments were approximately HK$6.7 million (31 December 2016: HK$2.4 million).

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2017.

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in HKD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The transactions and monetary assets denominated in RMB are minimal for the two years ended 31 December 2016 and 2017, the Group considers there have no significant foreign exchange risks in respect of RMB for both years.

TREASURY POLICIES AND RISK MANAGEMENT

As at 31 December 2017, the Group's credit risk is primarily attributable to trade receivables, fixed deposits and cash and cash equivalents.

The Group deposits its fixed deposits and cash and cash equivalents with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. Management monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk were minimal.

As at 31 December 2017, the Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. For trade receivables, the customers are primarily credit card receivables and management considers the credit risk is not high. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the total number of full time and part time employees of the Group was 356 (31 December 2016: 280). Total staff costs (including Directors' emoluments) were approximately HK$87.1 million for the year ended 31 December 2017 (31 December 2016: HK$73.8 million).

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.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "**Share Option Scheme**") on 6 November 2017.

As at the date of this report, no share option has been granted.

Management Discussion and Analysis

LITIGATIONS

As at 31 December 2017, the Group is not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of the Group.

PROSPECT

Our strategic objective is to continue to develop our brand portfolio and expand our restaurant network by developing restaurants under our own brands and restaurants operating under different franchised or sub-licensed brands.

We will continue to develop our brand portfolio through means such as (i) refining our existing brands, (ii) diversifying our existing brands into junior brands and/or senior brands and (iii) launching new brands.

We also plan to open or invest in and manage more restaurants under our existing brands, refined brands and new brands. Specifically, we plan to open or invest in and manage seven new restaurants (three in Hong Kong and four in the PRC) in the year ending 31 December 2018, of which one restaurant has been opened in Hong Kong in the first quarter of 2018 and the second new restaurant is scheduled to open in late March 2018 or early April 2018. For restaurants to be opened in the PRC, we only intend to hold a minority stake of approximately 25% in the operating companies of these restaurants and will manage these restaurants.

Hokkaidon

At the beginning of 2017, we opened Hokkaidon Restaurant in Cityplaza, Taikoo Shing, which focuses on Japanese sashimi rice bowls. Our Hokkaidon brand features imported seasonal ingredients selected by our supplier in Sapporo Central Wholesale Market and was well received by customers. To further enhance the presence of the Hokkaidon brand, we currently intend to open another Hokkaidon restaurant in 2018 in Hong Kong.

Ta-ke

For the year of 2018, we intend to refine the brand image of our Sushi Ta-ke Restaurant as a new restaurant under the "Ta-ke" brand which offers a broader variety of fine-dining Japanese cuisine. We envisage that the new restaurant will offer three major types of Japanese speciality cuisines namely (i) teppanyaki; (ii) tempura; and (iii) sushi; and sashimi. Given the wider cuisine offering, we would require additional space to cater for the equipments and cooking facilities. We have relocated our Sushi Ta-ke Restaurant from Cubus to Lee Garden Two, which is expected to have a higher pedestrian flow. The restaurant is scheduled to commence its operation in late March 2018 or early April 2018.

In accordance with the plan as stated in the Prospectus, Sushi Ta-ke Restaurant in Cubus was closed following the end of the relevant lease term.

10 Shanghai

In addition to the Ta-ke for the year of 2018, we intend to develop a senior brand under the Modern Shanghai concept which serves upscale Shanghainese dishes with a more sophisticated layout as compared to our Modern Shanghai Restaurant, namely "10 Shanghai". The restaurant has commenced its operation on 28 January 2018.

Further develop our restaurant pre-opening and management consultancy services in the PRC

Leveraging on our knowledge and experience in the food and beverage industry, we also provide restaurant pre-opening consultancy and restaurant management consultancy services. Our Directors consider that the food and beverage industry in the PRC has significant growth potential and expect that there will be an increasing demand for restaurant consultancy services. Therefore, we intend to establish a local presence in the PRC by setting up a Shenzhen office as a contact point for our customers in the PRC, through which we would be able to enhance our service quality and manage restaurant pre-opening projects and restaurant operation management projects more conveniently and efficiently.

Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders (the "**Shareholders**").

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kwok Chi Po (郭志波), aged 54, is a founder of our Group, a controlling shareholder and an executive Director. Mr. Kwok also serves as our chief executive officer. Mr. Kwok is primarily responsible for overseeing the general management and operations of our Group, as well as formulating corporate strategies and overseeing business development. Mr. Kwok is a member of our remuneration committee. Mr. Kwok is also a director of each other members of our Group.

Mr. Kwok has accumulated over 30 years of experience in the hospitality and food and beverage industries.

Mr. Kwan Wing Kuen Tino (關永權), aged 67, is a founder of our Group, a controlling shareholder, our executive Director and the vice chairman of our Group. Mr. Kwan is primarily responsible for corporate strategies, business development and overseeing the general management and operations of our Group. Mr. Kwan is also a director of seven of our subsidiaries, namely 1957 & Co. (BVI) Hospitality Limited, 1957 & Co. (Hospitality) HK Limited, 1957 & Co. (Management) Limited, Bella Vita Limited, Sushi Ta-ke Limited, Mango Tree (HK) Limited and Mango Tree (Kowloon) Limited.

Mr. Kwan is an award-winning lighting designer. His involvement in the hospitality industry includes his lighting design projects for well-known hotels and establishments. Mr. Kwan has earned numerous awards in lighting design, including his projects for major hotel chains in Hong Kong and the PRC. He was awarded the Ten Outstanding Designers Awards in 2007. He and his wholly-owned company, Tino Kwan Lighting Consultants Limited, were awarded the Outstanding Greater China Design Awards by the Hong Kong Art & Design Festival from 2008 to 2015 for, among others, their hotel and restaurant projects.

Mr. Kwan obtained a higher diploma in industrial design from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1973. He has held the title of president of the Asia-Pacific Hotel Design Association since 2016.

Mr. Lau Ming Fai (劉明輝), aged 45, is our executive Director and chief operating officer. Mr. Lau joined our Group in April 2014 as chief operating officer and has been in charge of overseeing the Group's operations, including recruitment, business development and formulating operating strategies and policies since then. Mr. Lau is a director of three of our subsidiaries, Hokkaidon Restaurant Limited, L Garden and Partners Limited and 1957 and Partners Limited.

Mr. Lau has over 14 years of experience in the hospitality, catering, food and beverage industries.

Mr. Lau obtained his postgraduate certificate in management in September 2002, postgraduate diploma in management in October 2003 and master of management in September 2004, each from the Macquarie University in Australia. He also attained a Level 3 Award in HACCP in Catering by the Chartered Institute of Environmental Health, Australia in August 2012.

Mr. Leung Nicholas Nic-hang (梁力恒), aged 25, is our executive Director and is responsible for overseeing the general management and operations of our Group. Mr. Leung joined our Group in August 2015. Mr. Leung is also a director of our subsidiary, 1957 and Partners Limited. Mr. Leung is responsible for refining and tailoring the beverage and wine menu of each of our restaurants, supervising and leading restaurant opening projects, including assessing and approving marketing materials, attending to media or press release, hosting promotional events and handling soft-launching logistic arrangements and official opening arrangements. Mr. Leung is the son of Mr. Leung Chi Tien Steve.

Mr. Leung graduated from the University of California, Los Angeles, USA with a bachelor's degree of arts with a major in business economics in March 2015. He was awarded the WSET Level 3 Award in Wines and Spirits (QCF) in June 2016.

NON-EXECUTIVE DIRECTOR

Mr. Leung Chi Tien Steve (梁志天), aged 60, is a founder of our Group, a controlling shareholder and a non-executive Director, chairman of our Board and the chairman of our nomination committee. Mr. Leung is primarily responsible for supervising the management, operation and development of our Group. Mr. Leung is also a director of nine of our subsidiaries, namely 1957 & Co. (BVI) Hospitality Limited, 1957 & Co. (Hospitality) HK Limited, 1957 & Co. (Management) Limited, Bella Vita Limited, Sushi Ta-ke Limited, Mango Tree (HK) Limited, Mango Tree (Kowloon) Limited, Modern Shanghai (Hong Kong) Food & Beverage Limited and Modern Shanghai (YOHO Midtown) Restaurant Limited. Mr. Leung is the father of Mr. Leung Nicholas Nic-hang.

Mr. Leung has accumulated over 30 years of experience in the field of interior design. He founded Steve Leung Designers Limited and Steve Leung Architects Limited in October 1997. In the course of his career in architecture and design, Mr. Leung has undertaken projects involving restaurant design and rebranding. Some of his notable projects include The Eight at the Grand Lisboa Hotel in Macau, The Palm Dubai and Fairwood Cafe. Mr. Leung's design projects had been featured in the ''Andrew Martin International Interior Design Review'' book 14 times during the period from 2000 to 2017. In 2015, he was awarded the 19th Andrew Martin International Interior Designer of the Year Award. In the same year, he was also included in the Global Design Power List by INTERNI during 2015 to 2017 and The 30 Most Influential Designers by Forbes China. Mr. Leung and his team have been credited with a large number of design and corporate awards in Asia Pacific region and worldwide, such as Asia Pacific Commercial Property Awards, Commercial Interior Design Awards, FX International Interior Design Awards, IIDA Annual Interior Design Competition, Interior Design Best of Year Awards, Gold Key Awards, Hospitality Design Awards, etc. Mr. Leung has also been invited to be the judge of various prestigious design awards such as the Asia Pacific Interior Design Awards, iF Design Awards China and Red Dot Award: Product Design.

Mr. Leung graduated from the University of Hong Kong and obtained a bachelor of arts in Architectural Studies in November 1978, bachelor of architecture with distinction in November 1981 and a master of science in Urban Planning in November 1986. He has been a registered member and registered architect of Hong Kong Institute of Architects since March 1983 and January 1991 respectively and a full member of the Hong Kong Designers Association since July 2006. In December 2013, he was appointed as the executive director of the Design Committee of the China National Interior Decoration Association. In November 2017, Mr. Leung was appointed as the president of the International Federation of Interior Architects/Designers for the year of 2017–2019.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. How Sze Ming (侯思明), aged 41, is an independent non-executive Director. He is also the chairman of our audit committee and a member of our remuneration committee.

Mr. How has over 15 years of experience in investment banking and business assurance industries. Mr. How is currently the managing director/co-head of corporate finance of Southwest Securities (HK) Capital Limited, a company principally engaged in investment banking and advisory, where he is responsible for corporate finance advisory.

Mr. How has held the following directorship in the following companies listed on the Stock Exchange in the past three years:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Forgame Holdings Limited	Main Board	484	Since January 2016	Independent non-executive director
Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited)	GEM	8093	January 2015 to March 2017	Independent non-executive director
QPL International Holdings Limited	Main Board	243	September 2013 to September 2016	Independent non-executive director
Shanghai Zendai Property Limited	Main Board	755	Since May 2017	Independent non-executive director
World-Link Logistics (Asia) Holding Limited	Main Board	6083	Since December 2015	Independent non-executive director

Mr. How graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree (first class honour, majoring in professional accountancy) in December 1999. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ng Wai Hung (吳偉雄), aged 54, is an independent non-executive Director. He is also a member of each of our audit committee and nomination committee.

Mr. Ng is a practising solicitor and was admitted as a solicitor in Hong Kong in March 1992. He joined Iu, Lai & Li, a Hong Kong firm of solicitors, in February 1990 and has been a partner there since April 1994. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong.

Mr. Ng has held the following positions in the following directorship listed on the Stock Exchange in the past three years:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Fortune Sun (China) Holdings Limited	Main Board	352	June 2006 to September 2017	Independent non-executive director
GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited)	Main Board	493	June 2011 to May 2017	Independent non-executive director
Kingbo Strike Limited	Main Board	1421	June 2015 to June 2017	Independent non-executive director
Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited and KH Investment Holdings Limited)	GEM	8172	Since March 2015	Independent non-executive director
On Time Logistics Holdings Limited	Main Board	6123	Since June 2014	Independent non-executive director
Sustainable Forest Holdings Limited	Main Board	723	Since February 2013	Independent non-executive director
Tech Pro Technology Development Limited	Main Board	3823	April 2011 to March 2017	Independent non-executive director
Trigiant Group Limited	Main Board	1300	August 2011 to August 2017	Independent non-executive director
Xinyi Automobile Glass Hong Kong Enterprises Limited	GEM	8323	Since June 2016	Independent non-executive director

Mr. Ng obtained a bachelor's degree in laws from the University of Hong Kong in 1987.

Directors and Senior Management

Mr. Chan Kam Kwan Jason (陳錦坤), aged 44, is an independent non-executive Director. Mr. Chan Kam Kwan Jason is the chairman of our remuneration committee and also a member of each of our audit committee and nomination committee.

Mr. Chan Kam Kwan Jason was awarded certified public accountant by the Washington State Board of Accountancy on 26 March 1999.

Mr. Chan Kam Kwan Jason has held the following directorship in the following companies listed on the Stock Exchange in the past three years:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Brockman Mining Limited	Main Board	159	Since January 2008	Executive director
Canvest Environmental Protection Group Company Limited	Main Board	1381	Since December 2014	Independent non-executive director
Lajin Entertainment Network Group Limited	GEM	8172	Since November 2015	Executive director
AMCO United Holding Limited (formerly known as Guojin Resources Holdings Limited and Jackin International Holdings Limited)	Main Board	630	August 2004 to June 2015	Independent non-executive director

Mr. Chan Kam Kwan Jason obtained a bachelor's degree in commerce from University of British Columbia.

SENIOR MANAGEMENT

Mr. Fong Chi Wing (方志榮), aged 50, was appointed as our chief financial officer on 11 April 2016 and was appointed as our company secretary on 16 February 2017. He is primarily responsible for overseeing the financial management of our Group.

Mr. Fong worked in international accounting and auditing firms from 1993 to 2000 and has over 15 years of experience in in-house accounting and financial control for various listed companies on the Stock Exchange during the period from 2000 to 2015.

Mr. Fong obtained his bachelor of arts degree in accountancy in November 1993 from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). He was admitted as an associate of The Association of Chartered Certified Accountants in January 1997. Mr. Fong is currently registered as a practising certified public accountant with the Hong Kong Institute of Certified Public Accountants.

Ms. Chan Hang Ming Florence (陳杏明), aged 42, joined our Group on 1 September 2012 as a marketing manager and was promoted to director of marketing on 1 February 2016. She is primarily responsible for overseeing marketing, communications and public relations of all brands of our Group.

Ms. Chan has over 19 years of industry experience and prior to joining us, she served in the marketing and public relations departments of various hospitality groups and public relations firm in Hong Kong, including The Royal Garden, Hotel Nikko, Eaton Hotel, Langham Hospitality Group, JC Group, Furama Hotel and PR Concepts Company Limited and Miramar Group, where she planned and managed the opening of many renowned restaurants, including Inakaya, Teppanyaki Kaika and Dong Lai Shun.

Ms. Chan completed her higher diploma in hotel management from Hong Kong Polytechnic University in 1997 and received her master of arts in communication from Hong Kong Baptist University in 2006.

COMPANY SECRETARY

Mr. Fong Chi Wing (方志榮) was appointed as our company secretary on 16 February 2017. For more information on Mr. Fong's qualifications and experience, please see the sub-section headed "Senior Management" above.

COMPLIANCE OFFICER

Mr. Kwok Chi Po (郭志波) was appointed as our compliance officer on 16 February 2017. For more information on Mr. Kwok's qualifications and experience, please see the sub-section headed "Executive Directors" above.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company principally operates full-service restaurants under our self-owned brands and franchised/sublicensed brands in Hong Kong. We also provide restaurant pre-opening and management consultancy services in Hong Kong and the PRC. Analysis of the principal activities of the Group during the year ended 31 December 2017 is set out in the note 1 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review are set out in the section of "Management Discussion and Analysis" on page 7. An analysis using financial key performance indicators can be found in the "Management Discussion and Analysis" on pages 8 to 17 of this annual report.

SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in operation of restaurants and catering management and consultancy services. Information reported to the chief operating decision maker for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated.

The Group's revenue is mainly derived from customers in Hong Kong. The principal assets of the Group were also located in Hong Kong. Accordingly, no analysis by geographical segment is provided.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 54 to 55 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last three financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing of the Company on the GEM of the Stock Exchange (after deducting underwriting fees and related expenses) amounted to approximately HK$24.3 million, which are intended to be applied in the manner as disclosed in the Prospectus. For details, please refer to the section under "Use of net proceeds from the Listing" on page 11 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

Due to the nature of our business, the majority of our customers consist of retail customers from the general public. As such, our Directors consider that it is not practicable to identify the five largest customers of our Group for the year ended 31 December 2017 and we did not rely on any single customer during the year. For instance, none of our customers accounted for 5% or more of our revenue for the year ended 31 December 2017.

Major Suppliers

For the year ended 31 December 2017, the Group's five largest suppliers accounted for 37.0% (2016: 40.5%) of the Group's total purchases and our single largest supplier accounted for 16.8% (2016: 15.1%) of the Group's total purchases.

During the year ended 31 December 2017, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers as identified above.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out on page 59 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution amounted to approximately HK$65.1 million (2016: HK$41.8 million) as calculated base on the Company's share premium less accumulated losses.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2017 are set out in note 24 to the consolidated financial statements.

Report of Directors

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report are:

Executive Directors

Mr. Kwok Chi Po *(Chief Executive Officer)*
Mr. Kwan Wing Kuen Tino *(Vice Chairman)*
Mr. Lau Ming Fai *(Chief Operating Officer)* (appointed as executive Director on 16 February 2017)
Mr. Leung Nicholas Nic-hang (appointed as executive Director on 16 February 2017)

Non-executive Director

Mr. Leung Chi Tien Steve *(Chairman)*

Independent Non-executive Directors

Mr. How Sze Ming (appointed as independent non-executive Director on 6 November 2017)
Mr. Ng Wai Hung (appointed as independent non-executive Director on 6 November 2017)
Mr. Chan Kam Kwan Jason (appointed as independent non-executive Director on 6 November 2017)

In accordance with article 84 of the articles of association of the Company (the "**Articles of Association**"), one-third of the Directors shall retire by rotation, and being eligible, have offered themselves for re-election at the annual general meeting.

In accordance with article 83(3) of the Articles of Association, any Director appointed to fill a casual vacancy on the Board shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting, or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Kwok Chi Po, Mr. Kwan Wing Kuen Tino and Mr. Leung Chi Tien Steve shall in accordance with article 84 and Mr. Lau Ming Fai, Mr. Leung Nicholas Nic-hang, Mr. How Sze Ming, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason shall in accordance with article 83(3), hold office until the forthcoming annual general meeting to be held on 24 May 2018 (the "**AGM**"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 28 March 2018.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 18 to 23 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company, save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the GEM Listing Rules since the Listing Date.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the period from the Listing Date to 31 December 2017 (the "**Relevant Period**") and remain so as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement.

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as those interests set out in note 29 to the consolidated financial statements and the transactions as set out in the paragraphs under "Continuing connected transactions" below, no other Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Relevant Period and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Relevant Period and up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

Details of the emoluments of the Directors, and five highest paid individuals during the year ended 31 December 2017 are set out in note 10 to the consolidated financial statements.

As at 31 December 2017, the Group had 267 full time and 62 part-time employees. The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. The Company also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. In order to retain quality employees, the Group offers competitive remuneration and incentive schemes. We have also operated a staff bonus scheme and contributed to such scheme since December 2014. The Company regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

The Group has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance. Details of such scheme are set out in note 10 to the consolidated financial statements.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Kwan Wing Kuen Tino ("**Mr. Kwan**")	Interest in controlled corporation/ beneficial owner (Note 1)	64,000,000	Long	20.00%
Kwok Chi Po ("**Mr. Kwok**")	Interest in controlled corporation (Note 2)	15,362,400	Long	4.80%
Leung Chi Tien Steve ("**Mr. Leung**")	Interest in controlled corporation (Note 3)	90,256,800	Long	28.21%

Notes:

(1) Among the 64,000,000 shares, 60,000,000 shares were held by Perfect Emperor Limited which is wholly owned by Mr. Kwan. As such, Mr. Kwan was deemed to be interested in all the shares held by Perfect Emperor Limited pursuant to Part XV of the SFO. The 4,000,000 shares were beneficially held by Mr. Kwan.

(2) The 15,362,400 shares were held by P.S Hospitality Limited which is wholly owned by Mr. Kwok. As such, Mr. Kwok was deemed to be interested in all the shares held by P.S Hospitality Limited pursuant to Part XV of the SFO.

(3) Among the 90,256,800 shares, 67,576,800 shares were held by Sino Explorer Limited ("**Sino Explorer**") and 22,680,000 shares were held by All Victory Global Limited ("**All Victory**"). Both Sino Explorer and All Victory are wholly owned by 1957 & Co. Limited, which is in turn wholly owned by Mr. Leung. As such, Mr. Leung was deemed to be interested in all the shares held by Sino Explorer and All Victory pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2017, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Relevant Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 31 December 2017, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/ short position	Approximate Percentage of Shareholding in the Company (%)
Kwan Wai Ling Alicia	Interest of spouse (Note 1)	64,000,000	Long	20.00%
1957 & Co. Limited	Interest in controlled corporation (Note 2)	90,256,800	Long	28.21%
All Victory Global Limited	Beneficial owner (Note 2)	22,680,000	Long	7.09%
Sino Explorer Limited	Beneficial owner (Note 2)	67,576,800	Long	21.12%
Chan Siu Wan	Interest of spouse (Note 3)	90,256,800	Long	28.21%
Leung Shuk Yee Winnie ("**Ms. Leung**")	Interest in controlled corporation (Notes 4 & 5)	19,764,000	Long	6.18%
Pearl Global Development Limited	Beneficial owner (Note 4)	19,764,000	Long	6.18%
Perfect Emperor Limited	Beneficial owner	60,000,000	Long	18.75%
Poon Hok Ming ("**Mr. Poon**")	Interest of spouse (Note 5)	19,764,000	Long	6.18%

Notes:

(1) Ms. Kwan Wai Ling Alicia is the spouse of Mr. Kwan and was deemed to be interested in the same number of shares held by Mr. Kwan.

(2) 1957 & Co. Limited holds 100% of the equity interest in Sino Explorer and All Victory. Accordingly, 1957 & Co. Limited was deemed to be interested in 67,576,800 shares held by Sino Explorer and 22,680,000 shares held by All Victory.

(3) Ms. Chan Siu Wan is the spouse of Mr. Leung and was deemed to be interested in the same number of shares held by Mr. Leung.

(4) Ms. Leung holds 99.99% of the equity interest in Pearl Global Development Limited. Therefore, she was deemed to be interested in 19,764,000 shares held by Pearl Global Development Limited.

(5) Mr. Poon is the husband of Ms. Leung and was deemed to be interested in the same number of shares held by Ms. Leung.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Share Option Scheme was approved by the Shareholders on 6 November 2017 for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group.

The Share Option Scheme will be valid and effective for a period as the Board may determine which shall not exceed ten years from the date of grant.

The aggregate number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

The total number of shares of the Company which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and other share option schemes must not, in aggregate, exceed 10% of the shares of the Company in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that options lapsed in accordance with the terms of the Share Option Scheme or other share option schemes will not be counted for the purpose of calculating the Scheme Mandate Limit.

As at 31 December 2017, the total number of shares of the Company in respect of which share options may be granted under the Share Option Scheme shall not exceed 32,000,000 ordinary shares, being 10% of the total number of ordinary shares of the Company in issue as at the Listing Date. The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.

Eligible persons under the Share Option Scheme include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest; (b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK$1 is payable by the grantee on acceptance of the grant of an option. The option may be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price of the shares in respect of which the notice is given together with the reasonable administration fee specified by the Company from time to time. Within 28 days after receipt of the notice and the remittance, the Company shall allot and issue the relevant shares, credited as fully paid, and a share certificate for the relevant shares so allotted to the grantee.

The subscription price for the shares of the Company under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares of the Company as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share of the Company.

The Share Option Scheme will remain in force for a period of ten years commencing on 6 November 2017. For more details, please refer to the section headed 'Statutory and General Information — Share Option Scheme" in Appendix IV of the Prospectus. The remaining life of the Share Option Scheme is approximately 9 years and 8 months.

Up to 31 December 2017, no share option has been granted under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this report, no equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the year or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Relevant Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the shares.

NON-COMPETITION UNDERTAKING

Pursuant to the deed of non-competition dated 6 November 2017 ("**Deed of Non-competition**") entered into by Mr. Kwok Chi Po, Mr. Leung Chi Tien Steve, Mr. Kwan Wing Kuen Tino, All Victory Global Limited, P.S Hospitality Limited, Perfect Emperor Limited, 1957 & Co. Limited and Sino Explorer Limited (collectively, the "**Controlling Shareholders**"), each of the Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/it would not, and would procure that his/its close associates (except any members of our Group) would not, during the restricted period, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any business which is or may be in competition with the business currently carried on or contemplated to be carried on by any member of our Group (the "**Restricted Business**"). For details of the Deed of Non-competition, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Deed of Non-competition during the Relevant Period for disclosure in this report.

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the Relevant Period based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the Deed of Non-competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Relevant Period, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

NON-FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2017, the Company has also entered into certain continuing connected transactions with connected persons (as defined under the GEM Listing Rules) which were not fully-exempted from reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 20 of the GEM Listing Rules (the "**Non-fully Exempted Continuing Connected Transactions**"). Details of which are set out below. The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Non-fully Exempt Continuing Connected Transactions with the Group were as follows:

Leases and licence of premises from substantial shareholder of our subsidiaries

We have entered into three leases and one licence with Hysan Group in respect of the lease or licence of certain properties or area from Hysan Group to our Group for our restaurant operations (the "**Connected Leases and Licence Agreements**"). These premises and licensed area are located in Lee Garden One and Lee Garden Two, both of which are shopping malls in Causeway Bay.

These Connected Leases and Licence Agreements were entered into by our Group in the ordinary course of business after having considered, among others, the location of these properties and the terms offered by Hysan Group.

Leasing of properties — operating lease rental/license fee paid

Name of counterparty (Note)	Date of agreement	Leased premises	Terms	Amount for the year (HK$'000)
(1) Perfect Win Properties Limited	9 May 2017	4F Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	From 1 June 2017 to 31 May 2019	848
(2) Barrowgate Limited	17 August 2017	Shop No. G01, G/F Lee Garden two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2017 to 30 September 2022	123
(3) Barrowgate Limited	17 August 2017	Shop No. 101 1/F, Lee Garden two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2017 to 30 September 2022	137
				1,108

Note: Each of these companies is a member of the Hysan Group, which is a connected person of the Company by virtue of being a substantial shareholder of certain subsidiaries of the Group.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Directors engaged the auditor of the Company to perform certain work on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors and confirmed that, for the year ended 31 December 2017:

a. nothing has come to their attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to their attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

The related party transactions as disclosed in note 29 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company as defined in Chapter 20 of the GEM Listing Rules and are in compliance with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed in this annual report, during the Relevant Period, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 20 of the GEM Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

DONATIONS

During the Relevant Period, the charitable and other donations made by the Group amounted to approximately HK$31,000.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2017, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to providing an environmental friendly culture and atmosphere within the Group. The Group has undertaken environmental protection measures such as (i) reduction of use of papers; (ii) minimisation of electricity consumption outside business hours; and (iii) recycling of waste cooking oil. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 December 2017. A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than three months after the publication of this report.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force since 5 December 2017. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 37 to 48 of this annual report.

The compliance officer and company secretary of the Company are Mr. Kwok Chi Po and Mr. Fong Chi Wing respectively. Their biographical details are set out on page 23 of this annual report.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Halcyon Capital Limited ("**Halcyon Capital**"), neither Halcyon Capital nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and Controlling Shareholders and their respective close associates as referred to in Rule 11.04 of the GEM Listing Rules (except for the compliance adviser service provided by Halcyon Capital as at the date of this report).

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the Relevant Period and as of the date of this annual report.

AUDITOR

PricewaterhouseCoopers was appointed as the Auditor for the year ended 31 December 2017. The accompanying financial statements prepared in accordance with HKFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Auditor for the year ending 31 December 2018 will be proposed at the AGM.

Report of Directors

PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at www.1957.com.hk.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 18 May 2018 to 24 May 2018, both days inclusive, during which period no transfer of the shares will be registered. To be eligible to attend the AGM, shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 17 May 2018.

On behalf of the Board

Kwok Chi Po
Executive Director

Hong Kong, 20 March 2018

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the Relevant Period.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code throughout the Relevant Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report, the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:

Mr. Kwok Chi Po *(Chief Executive Officer)*
Mr. Kwan Wing Kuen Tino *(Vice-Chairman)*
Mr. Lau Ming Fai
Mr. Leung Nicholas Nic-hang

Non-executive Director:

Mr. Leung Chi Tien Steve *(Chairman)*

Independent Non-executive Directors:

Mr. How Sze Ming
Mr. Ng Wai Hung
Mr. Chan Kam Kwan Jason

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Relevant Period, the Board has met at all times the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 5.05A of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Board diversity policy is summarized below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate.

3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board.

4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations. The Company also provides regular updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company will continue to arrange training to the Directors in accordance with paragraph A.6.5 of the CG code provisions

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2017 is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes (Notes)
Executive Directors	
Mr. Kwok Chi Po	A, B&C
Mr. Kwan Wing Kuen Tino	A, B&C
Mr. Lau Ming Fai	A, B&C
Mr. Leung Nicholas Nic-hang	A, B&C
Non-executive Director	
Mr. Leung Chi Tien Steve	A, B&C
Independent Non-executive Directors	
Mr. How Sze Ming	A, B&C
Mr. Ng Wai Hung	A, B&C
Mr. Chan Kam Kwan Jason	A, B&C

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings

B: Attending training relevant to the Company's business conducted by lawyers and compliance advisor

C: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

The Chairman of the Board and the chief executive officer of the Company (the "**Chief Executive Officer**") are currently two separate positions held by Mr. Leung Chi Tien Steve and Mr. Kwok Chi Po, respectively, with clear distinction in responsibilities. The Chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

Appointment and Re-election of Directors

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement.

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

As the Company was listed on 5 December 2017, no board meeting was held during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the date of this annual report, two meetings were held.

Required Standard of Dealings for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings during the Relevant Period.

The Company has also adopted its own code of conduct regarding employees' securities transactions with reference to the required standard of dealings for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, namely Mr. How Sze Ming (chairman), Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason, all of them are independent non-executive Directors.

The principal duties of the Audit Committee include the following:

1. To review the relationship with the Auditor by reference to the work performed by the Auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditor;

2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the Auditor before submission to the Board;

3. To review the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on 5 December 2017, no meeting was held by the Audit Committee during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the date of this annual report, two meetings of the Audit Committee were held in which the Audit Committee:

- reviewed the annual results of the Group for the year ended 31 December 2017 as well as the audit report prepared by the Auditor relating to accounting issues and major findings in course of audit; and

- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

The Company will comply with the CG Code to hold at least four meetings of the Audit Committee annually for the year ending 31 December 2018 onwards.

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Leung Chi Tien Steve (non-executive Director), Mr. Ng Wai Hung (independent non-executive Director), and Mr. Chan Kam Kwan Jason (independent non-executive Director). Mr. Leung Chi Tien Steve is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors; and

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the executive director.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on 5 December 2017, no meeting was held by the Nomination Committee during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the date of this Annual Report, a meeting of the Nomination Committee was held in which the Nomination Committee assessed the independence of independent non-executive Directors and considered the re-appointments of the retiring Directors.

The Company will comply with the CG Code to hold at least one meeting of the Nomination Committee annually for the year ending 31 December 2018 onwards.

Pursuant to code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. On 7 November 2017, the Board adopted a board diversity policy, a summary of which is set out below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate.

3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board.

4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Chan Kam Kwan Jason (independent non-executive Director), Mr. Kwok Chi Po (executive Director) and Mr. How Sze Ming (independent non-executive Director). Mr. Chan Kam Kwan Jason is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and establish a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's goals and objectives;

3. as the Board shall direct, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to Directors (executive, non-executive or independent non-executive), executive officers and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and in line with market practice;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors (executive, non-executive or independent non-executive) for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

8. to ensure that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on 5 December 2017, no meeting was held by the Remuneration Committee during the Relevant Period. However, subsequent to the end of the Relevant Period and up to the date of this annual report, a meeting of the Remuneration Committee was held in which the Remuneration Committee discussed and reviewed the remuneration packages for Directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 18 to 23 of this annual report, for the year ended 31 December 2017 are set out below:

Remuneration band (s)	Number of individuals
Nil to HK$1,000,000	7
HK$1,000,000 to HK$2,000,000	3

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 52 to 53 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

Our Board of Directors has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained, while management is responsible for designing and implementing risk management and internal control systems to manage risks. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objectives.

Risk Management and Internal Controls Framework

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management, and the internal control systems. The Audit Committee acts on behalf of the Board to:

i. Review the key business risks, and control measures to mitigate, reduce or transfer such risks;

ii. Review the business process and operations reported by Internal Audit and external consultants, including action plans to address any identified control weaknesses, as well as status updates and monitoring the implementation of audit recommendations.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's risk management and internal control systems.

The Board considers the work and findings of the Audit Committee in forming its own view on the effectiveness of the systems.

Risk Management

The Group has established a risk management policy and formal risk assessment system. The Group's risk management framework comprises the following key elements:

1. Identify risks;
2. Analyse risks;
3. Evaluate risks; and
4. Treat risks

Senior management identifies the key risks that potentially impact the key business processes of their operations on an annual basis. The identified risks are analysed and evaluated using established risk assessment criteria which include appropriate qualitative and quantitative techniques, these identified risks are scored based on their likelihood of occurring and the impact on business should they occur. Such risk evaluation system helps to rank the risks and to prioritise risk management efforts to determine the appropriate risk mitigation plans (i.e. accept, reduce, transfer and avoid). Results of the annual risk assessment are reported to the Audit Committee, including the significant risks of the Group and the associated control activities to mitigate or transfer the identified risks. The risk assessment results indicated limited changes in the nature and extent of significant risks identified by the Group since the Listing Date. To provide assurance over the effectiveness of the risk mitigating controls, the Group has formulated a risk-based, 3-year internal audit plan which covers the identified risk mitigating controls and key business processes of the Group.

Internal Controls

The Group has established policies and procedures including defined levels of responsibilities and reporting lines. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The Audit Committee, through assistance of an external consultant has conducted a review of the effectiveness of the internal control system covering the material controls embedded in the Group's key business processes. This included but not limited to the processes of sales, procurement and human resources management etc.

The Group has reviewed the need for an internal audit function since the Listing Date and considered it appropriate to adopt a co-sourcing model for its internal audit function. Accordingly, the Group has also engaged an external consultant to assist in its internal audit efforts in the coming financial year.

Review of Risk Management and Internal Control Systems

In respect of the year ended 31 December 2017, the Board considers the risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. A review on the risk management and internal control systems will be conducted on an annual basis.

During the review, the Board also considered the resources, qualification/experience of staff of the Group's internal control, accounting and financial reporting function, and their training and budget to be adequate.

Disclosure of Inside Information

The Group is aware of its obligation of handling and dissemination of inside information under the GEM Listing Rules and the Securities and Futures Ordinance. The Group has established an inside information management policy for identifying, monitoring and reporting inside information to our shareholders, investors, analysts and media. The internal policy is updated whenever required and adopted accordingly to guide its stakeholder communications and the determination of inside information in order to ensure consistent and timely disclosure. The Group conducts its affairs in accordance with the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 December 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2017 was approximately as follows:

Type of Services	Amount (HK$'000)
Audit services	1,100
Non-audit services related to tax compliance and advisory services	206
Non-audit services related to acting as reporting accountant for listing purpose	2,750
Non-audit services related to internal control review consulting for listing purpose	127
Total	4,183

COMPANY SECRETARY

Mr. Fong Chi Wing, the company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

During the year ended 31 December 2017, Mr. Fong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 5.15 of the GEM Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Board and the chairmen of the Board Committees will attend the annual general meetings to answer Shareholders' questions. The Auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.1957.com.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company by mail to Room 1004, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong or by email: investor@1957.com.hk. Share registration matters shall be handled for the Shareholders by the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company have been amended and restated with effect from the Listing Date. There was no change on the memorandum and articles of association of the Company during the Relevant Period.

CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

pwc

羅兵咸永道

To the Shareholders of 1957 & Co. (Hospitality) Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of 1957 & Co. (Hospitality) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 114, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is assessing impairment of property, plant and equipment:

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessing impairment of property, plant and equipment	
Refer to notes 4(i) and 13 to the consolidated financial statements. The Group has a portfolio of leased properties used as outlets for its restaurants. Majority of the outlets are with lease terms ranging from one to six years. Management periodically assesses whether there is any indication that the property, plant and equipment (the "PPE") may be impaired and estimates the recoverable amount of the PPE if any such indication exists. Management considers that each individual restaurant as a cash generating unit (CGU) and reviews the performance of individual restaurants at the end of each reporting period to identify if any restaurant meets certain negative performance criteria which could indicate impairment. Such impairment indicators include: • Operating losses incurred by restaurants during the financial year, except for new restaurants in their first year of operation; or • Plans to close a restaurant.	Our procedures for assessing the impairment of property, plant and equipment included: • Discussing with management the approach used to identify indications of impairment for the Group's CGUs. • Evaluating management's identification of impairment indicators by considering the appropriateness of the negative performance criteria defined and checking if all the restaurants with negative performance criteria were properly identified. For CGUs where there were indicators of impairment, we performed procedures to assess and corroborate the key inputs to their respective discounted cash flows forecast (the "DCF") used in determining the recoverable amount of the PPE, included: • Comparing the actual results of the CGU with the CGU's historical DCF to assess the accuracy of management's forecasting process;

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessing impairment of property, plant and equipment	
For a CGU where there is any indication of impairment, management estimates the recoverable amount of the PPE using the value in use method and determines if provision is required by comparing the carrying amount of the PPE with its recoverable amount. The value in use of the PPE is estimated using discounted cash flows forecast over which management makes judgements on certain key inputs, including, projected revenue growth rate and operating margin of the relevant restaurants and the discount rate applicable to the CGU. We focused on this area because the size of the PPE is material to the consolidated financial statements and significant management judgement was used in assessing the impairment of PPE.	• Assessing reasonableness of the projected revenue growth rate and operating margin of the relevant restaurant used in the DCF with reference to management's development plans, past results of operations of the CGU and available external historical financial information of similar restaurant operations; • Assessing the discount rate used in the DCF by considering the comparability of the industry peers selected to derive the weighted average costs capital and tracing the inputs used to calculate the weighted average costs of capital from management's computation to relevant external source of market data; and • Testing mathematical accuracy of the DCF. Based on the results of our work, we found that the significant judgements and assumptions used by management in the assessment were supportable with available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leung Chi Hang, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	6	**269,992**	217,793
Other (losses)/gains and income, net	7	**(48)**	1,018
Cost of inventories sold		**(71,665)**	(58,845)
Employee benefit expenses	10	**(87,056)**	(73,804)
Depreciation, amortisation and impairment		**(56,826)**	(43,737)
Royalty fees		**(3,797)**	(2,519)
Rental expenses		**(5,274)**	(4,216)
Utilities		**(7,328)**	(6,253)
Other operating expenses	9	**(26,256)**	(19,033)
Listing expenses		**(15,994)**	(4,696)
Operating (loss)/profit		**(4,252)**	5,708
Finance income		**26**	4
Finance costs		**(4,815)**	(3,443)
Finance costs, net	8	**(4,789)**	(3,439)
Share of losses of associates		**(8)**	(509)
(Loss)/profit before income tax		**(9,049)**	1,760
Income tax expense	11	**(1,724)**	(1,210)
(Loss)/profit for the year		**(10,773)**	550
(Loss)/profit for the year attributable to:			
— Owners of the Company		**(11,094)**	359
— Non-controlling interests		**321**	191
		(10,773)	550
(Losses)/earnings per share attributable to owners of the Company for the year (HK cents)			
— Basic and diluted	12	**(4.51)**	0.15

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 **HK$'000**	2016 HK$'000
(Loss)/profit for the year	**(10,773)**	550
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(2)**	31
Total comprehensive (loss)/income for the year	**(10,775)**	581
Total comprehensive (loss)/income for the year attributable to:		
— Owners of the Company	**(11,096)**	390
— Non-controlling interests	**321**	191
	(10,775)	581

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**243,412**	152,353
Intangible assets	14	**1,848**	1,230
Interest in an associate	16	**28**	36
Prepayments	17	**16,325**	551
Deferred tax assets	25	**9,113**	7,675
		270,726	161,845
Current assets			
Inventories	18	**1,676**	1,096
Trade receivables	17	**3,512**	3,788
Prepayments, deposits and other receivables	17	**6,038**	5,713
Amounts due from related parties	29(b)	**80**	40
Tax recoverable		**827**	532
Pledged bank deposits	19	**12,835**	6,078
Cash and cash equivalents	19	**56,424**	23,906
		81,392	41,153
Total assets		**352,118**	202,998
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	20	**32**	–
Share premium	20	**86,773**	46,483
Capital reserve		**(2,983)**	(2,983)
Exchange reserve		**(2)**	–
Accumulated losses		**(12,807)**	(1,713)
		71,013	41,787
Non-controlling interests		**19,980**	6,019
Total equity		**90,993**	47,806

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	24	–	7,958
Lease liabilities	22	**136,337**	74,126
Deferred income tax liabilities	25	**16**	25
		136,353	82,109
Current liabilities			
Trade payables	21	**13,499**	9,148
Accruals and other payables	21	**16,983**	13,317
Lease liabilities	22	**53,650**	37,925
Contract liabilities	23	**797**	411
Income tax payable		**2,229**	566
Amounts due to related parties	29(b)	–	280
Bank borrowings	24	**37,614**	11,436
		124,772	73,083
Total liabilities		**261,125**	155,192
Total equity and liabilities		**352,118**	202,998

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 54 to 114 were approved by the Board of Directors on 20 March 2018 and were signed on its behalf.

Kwok Chi Po
Director

Leung Chi Tien Steve
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to the owners of the Company							
	Share capital (Note 20) HK$'000	Share premium (Note 20) HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2016	–	–	21,080	(31)	(572)	20,477	2,988	23,465
Comprehensive income								
Profit for the year	–	–	–	–	359	359	191	550
Other comprehensive income								
Currency translation differences	–	–	–	31	–	31	–	31
Total comprehensive income	–	–	–	31	359	390	191	581
Transactions with owners								
Capitalisation of loans from shareholders and non-controlling shareholder of a subsidiary (Note (a))	–	–	22,420	–	–	22,420	40	22,460
Issuance of ordinary shares and effects of reorganisation (Note 1.2)	–	46,483	(46,483)	–	–	–	–	–
Non-controlling interests arising on business combination	–	–	–	–	–	–	2,800	2,800
Dividends	–	–	–	–	(1,500)	(1,500)	–	(1,500)
Total transactions with owners	–	46,483	(24,063)	–	(1,500)	20,920	2,840	23,760
Balance at 31 December 2016	–	46,483	(2,983)	–	(1,713)	41,787	6,019	47,806

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to the owners of the Company							
	Share capital (Note 20) HK$'000	Share premium (Note 20) HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2017	–	46,483	(2,983)	–	(1,713)	41,787	6,019	47,806
Comprehensive income								
(Loss)/profit for the year	–	–	–	–	(11,094)	(11,094)	321	(10,773)
Other comprehensive income								
Currency translation differences	–	–	–	(2)	–	(2)	–	(2)
Total comprehensive (loss)/ income	–	–	–	(2)	(11,094)	(11,096)	321	(10,775)
Transactions with owners								
Capital contribution from non-controlling shareholders of subsidiaries (Note (b))	–	–	–	–	–	–	13,680	13,680
Capital reduction of a subsidiary (Note (c))	–	–	–	–	–	–	(40)	(40)
Capitalisation issue of shares (Note 20(a))	24	(24)	–	–	–	–	–	–
Shares issued pursuant to the Listing (Note 20(b))	8	50,392	–	–	–	50,400	–	50,400
Transaction costs attributable to the Listing (Note 20(b))	–	(10,078)	–	–	–	(10,078)	–	(10,078)
Total transactions with owners	32	40,290	–	–	–	40,322	13,640	53,962
Balance at 31 December 2017	32	86,773	(2,983)	(2)	(12,807)	71,013	19,980	90,993

(a) During the year ended 31 December 2016, advances to shareholders of HK$5,940,000 (included in amounts due from related parties) were settled through capital reduction and the loans from shareholders of HK$28,360,000 (included in amounts due to related parties) were capitalised in capital reserves.

(b) The amount represents capital contribution from non-controlling shareholders of two subsidiaries incorporated during the year ended 31 December 2017.

(c) During the year ended 31 December 2017, amount due from a non-controlling shareholder of a subsidiary of HK$40,000 was settled through capital reduction.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	**(9,049)**	1,760
Adjustments for:		
— Depreciation, amortisation and impairment	**56,826**	43,737
— Loss/(gain) on disposal of property, plant and equipment	**99**	(588)
— Share of losses of associates	**8**	509
— Loss on disposal of associates	**–**	14
— Gains on early termination of a lease contract	**–**	(147)
— Finance income	**(26)**	(4)
— Finance expenses	**4,815**	3,443
Operating cash flows before changes in working capital	**52,673**	48,724
Changes in working capital:		
— Inventories	**(580)**	290
— Trade and other receivables	**(1,789)**	(2,448)
— Trade and other payables	**7,193**	(1,117)
— Contract liabilities	**386**	(42)
— Amount due to a non-controlling shareholder of a subsidiary	**(177)**	–
— Amounts due from associates	**(80)**	(502)
— Amount due to an associate	**(103)**	75
Cash generated from operations	**57,523**	44,980
Interest paid	**(4,815)**	(3,443)
Income tax paid	**(1,802)**	(4,109)
Net cash generated from operating activities	**50,906**	37,428
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	**–**	10
Pledged bank deposits	**1,243**	(1,813)
Purchase of property, plant and equipment	**(23,243)**	(12,088)
Purchase of intangible assets	**(778)**	–
Prepayment for purchase of property, plant and equipment	**(16,325)**	–
Proceeds from disposal of property, plant and equipment	**500**	198
Proceeds from disposal of associates	**–**	2,300
Interest received	**26**	4
Net cash used in investing activities	**(38,577)**	(11,389)

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Capital contribution from non-controlling shareholder of subsidiaries		**13,680**	–
Repayment of loans from shareholders		**–**	(1,553)
Dividends paid		**–**	(1,800)
Proceeds from bank borrowings		**32,000**	10,000
Repayment of bank borrowings		**(13,780)**	(2,419)
Addition of pledged bank deposit for bank borrowings		**(8,000)**	(3,000)
Payment of lease liabilities		**(44,979)**	(30,434)
Listing expenses paid		**(9,130)**	(948)
Proceeds from issue of ordinary shares		**50,400**	–
Net cash generated from/(used in) financing activities		**20,191**	(30,154)
Net increase/(decrease) in cash and cash equivalents		**32,520**	(4,115)
Cash and cash equivalents at 1 January		**23,906**	28,021
Effect of foreign exchange rate changes		**(2)**	–
Cash and cash equivalents at 31 December	19	**56,424**	23,906

Major non-cash transactions:

During the year ended 31 December 2016, advances to shareholders of HK$5,940,000, (included in amounts due from related parties) were settled through capital reduction and the loans from shareholders of HK$28,360,000 (included in amounts due to related parties) were capitalised in capital reserve.

Dividends declared during the year ended 31 December 2016 amounting HK$1,500,000 were settled through offsetting with loans from shareholders.

During the year ended 31 December 2017, amount due from a non-controlling shareholder of a subsidiary of HK$40,000 was settled through capital reduction.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings (current) HK$'000	Borrowings (non-current) HK$'000	Loans from shareholders HK$'000	Lease Liabilities (current) HK$'000	Lease Liabilities (non-current) HK$'000	Total HK$'000
At 1 January 2016	11,813	–	28,413	32,821	81,248	154,295
Cash flows						
— Inflow from financing activities	2,000	8,000	–	–	–	10,000
— Outflow from financing activities	(2,419)	–	(1,553)	(30,434)	–	(34,406)
— Outflow from operating activities	(349)	–	–	(3,094)	–	(3,443)
Non-cash changes						
— Dividend	–	–	1,500	–	–	1,500
— Capitalisation in capital reserve	–	–	(28,360)	–	–	(28,360)
— Finance cost	349	–	–	3,094	–	3,443
— Additions of lease liabilities	–	–	–	4,615	13,090	17,705
— Acquisition of a subsidiary	–	–	–	2,335	8,944	11,279
— Reversal of lease liabilities	–	–	–	(568)	–	(568)
— Transfer from non-current portion to current portion	42	(42)	–	29,156	(29,156)	–
At 31 December 2016	**11,436**	**7,958**	**–**	**37,925**	**74,126**	**131,445**
At 1 January 2017	**11,436**	**7,958**	**–**	**37,925**	**74,126**	**131,445**
Cash flows						
— Inflow from financing activities	**32,000**	**–**	**–**	**–**	**–**	**32,000**
— Outflow from financing activities	**(13,780)**	**–**	**–**	**(44,979)**	**–**	**(58,759)**
— Outflow from operating activities	**(685)**	**–**	**–**	**(4,130)**	**–**	**(4,815)**
Non-cash changes						
— Finance cost	**685**	**–**	**–**	**4,130**	**–**	**4,815**
— Additions of lease liabilities	**–**	**–**	**–**	**20,431**	**102,484**	**122,915**
— Transfer from non-current portion to current portion	**7,958**	**(7,958)**	**–**	**40,273**	**(40,273)**	**–**
At 31 December 2017	**37,614**	**–**	**–**	**53,650**	**136,337**	**227,601**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

1957 & Co. (Hospitality) Limited (the "Company") was incorporated in the Cayman Islands on 3 February 2016 as an exempted company with limited liability under Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Room 1004, 10/F, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in operation of restaurants and catering management and consultancy services (the "Business").

These financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated.

The Company has listed its shares on the GEM of The Stock Exchange of Hong Kong Limited ("GEM") on 5 December 2017 (the "Listing"). In connection with the share offering completed on 5 December 2017, the Company issued a total of 80,000,000 shares at an issue price of HK$0.63 per share for total proceeds (before related fees and expenses) of HK$50,400,000.

1.2 Reorganisation and basis of presentation

During the year ended 31 December 2016, the Group underwent the Reorganisation which principally involved the following steps:

(i) On 3 February 2016, the Company was incorporated in the Cayman Islands and one share was allotted and issued to a first subscriber which was then transferred to Mr. Kwok Chi Po ("Mr Kwok").

(ii) On 4 February 2016, 1957 & Co. (BVI) Hospitality Limited was incorporated in the British Virgin Islands (the "BVI") and one share was allotted and issued to a first subscriber which was then transferred to the Company.

(iii) On 3 August 2016, 1957 & Co. (Management) Limited transferred 60% of its equity interest in Modern Shanghai (Hong Kong) Food & Beverage Limited and 40% of its equity interest in Modern Shanghai (International) Food & Beverage Limited to 1957 & Co. (Hospitality) HK Limited, a company incorporated in Hong Kong, at an aggregate consideration of HK$130,000.

(iv) On 28 December 2016, the Company acquired entire equity interest in 1957 & Co. (Hospitality) HK Limited and 1957 & Co. (Management) Limited from their then equity holders and the consideration was settled by the issuance of an aggregate of 62,199 shares of the Company to the then equity holders or their wholly owned private companies. The Company then nominated 1957 & Co. (BVI) Hospitality Limited to take up the shares acquired

(v) On 28 December 2016, the Company acquired 40% equity interest in Sushi Ta-ke Limited, Mango Tree (HK) Limited, Mango Tree (Kowloon) Limited, Gonpachi Restaurant Limited, An Nam Restaurant Limited, Petit An Nam (YOHO Midtown) Restaurant Limited, An Nam (Festival Walk) Restaurant Limited and Bella Vita Limited from their then equity holders and the consideration was settled by the issuance of an aggregate of 37,800 shares of the Company to the then equity holders or their wholly owned private companies. The Company then nominated 1957 & Co. (Hospitality) HK Limited to take up the shares acquired.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

1.2 Reorganisation and basis of preparation (Continued)

(vi) On 28 December 2016, P.S Hospitality Limited, a company incorporated in the BVI and wholly owned by Mr. Kwok, acquired 1 share of the Company from Mr. Kwok at a consideration of HK$0.0001.

After the completion of the Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Immediately prior to and after the Reorganisation, the Business is controlled and operated by the controlling shareholders. The Business is conducted through the subsidiaries of the Company. Pursuant to the Reorganisation, the Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in management and the ultimate owners of the Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Business and the consolidated financial statements of the Company and the Business are prepared in accordance with HKFRS 10, "Consolidated Financial Statements", issued by the HKICPA, using the carrying values of assets and liabilities of the Business as if the group structure after the Reorganisation had been in existence throughout the years presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities which are measured at fair value.

(iii) New standards early adopted by the Group

HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") and HKFRS 16 "Leases" ("HKFRS 16") are mandatorily effective for annual periods beginning on or after 1 January 2018 and 1 January 2019, respectively. The Group decided to early adopt HKFRS 15 and HKFRS 16. The adoption has been applied retrospectively in the financial statements throughout the years ended 31 December 2017 and 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iv) New and amended standards adopted by the Group

The Group has applied the following standards and amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time for their annual reporting period commencing 1 January 2017:

HKAS12 (Amendments)	Income taxes
HKAS 7 (Amendments)	Statement of cash flows
HKFRS 12 (Amendments)	Disclosure of interest in other entities

(v) New standards and amendments to standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations have been issued but not effective during the year ended 31 December 2017 and have not been early adopted by the Group in preparing the consolidated financial statements:

		Effective for annual periods beginning on or after
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfer of investment property	1 January 2018
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HK(IFRIC)-Int22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

HKFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(v) New standards and amendments to standards and interpretations not yet adopted by the Group (Continued)

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The Group assesses that adopting HKFRS 9 will not have a material impact to the Group's consolidated financial statements.

(vi) Going concern

The Group had current liabilities of HK$124,772,000 as at 31 December 2017 of which HK$53,650,000 were lease liabilities where the corresponding right-of-use assets were included in property, plant and equipment within non-current assets. Setting aside the lease liabilities of HK$53,650,000, the Group's current assets exceeded its current liabilities by HK$10,270,000 as at 31 December 2017. The directors of the Company have considered the Group's consolidated financial position to conclude that the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Non-controlling interests

Non-controlling interests at the date of statement of financial position, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position separately from equity attributable to owners of the Company. The results of the Group are presented on the face of the consolidated income statement as an attribution of the Group's profit or loss for the year between non-controlling interests and owners of the Company.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Executive Directors, who make strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the income statement within 'other operating expenses'.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Leasehold improvements	Shorter of 5 years or remaining lease term
Furniture and fixture	5 years
Kitchen and operating equipment	3 to 5 years
Computer equipment	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in "Other gains, net" in the consolidated income statements.

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2.8 Intangible assets

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash- generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(i) Classification

Management determines the classification of its financial assets at initial recognition. The Group classifies its financial assets into loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprises "trade receivables", "deposits and other receivables", "amounts due from related parties", "pledged bank deposits" and "cash and cash equivalents" in the consolidated statements of financial position.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the date of statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined using the first-in first-out (FIFO) method. The cost of inventories comprises purchase costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for catering services or management and consultancy services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

All borrowing costs are recognised in the consolidated income statements in the period in which they are incurred since no borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the date of statement of financial position.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Bonus Entitlement

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligation

The Group contributed to a mandatory provident fund scheme (the "MPF Scheme") which is a defined contribution plan and is available to all employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The MPF Scheme cost charged to profit or loss represents contributions payable by the Group to the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

(iv) Long service payments

In Hong Kong, employees who have completed a required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Hong Kong Employment Ordinance.

2.21 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

(i) Revenue from operation of restaurants

The Group operates restaurants to provide catering services. Revenue from catering services is recognised when the related catering services are rendered.

Payment of the transaction is due immediately when the catering services are provided to customers.

(ii) Revenue from catering management and consultancy services

The Group provides catering management and consultancy services to other restaurant operators. For catering management and consultancy services, revenue is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(iii) Customer loyalty programme

The Group maintains a customer loyalty programme which grants customer loyalty award credits to members of the customer loyalty programme based on the relevant members' spending at the Group's restaurants. The award credits entitle the customers to discount on future spending.

Amounts received in the sales transaction that grants the customer loyalty award credits are allocated to the loyalty award credits earned by members of the Group's customer loyalty programme and other components of the sales transaction on a relative standalone selling price basis. The standalone selling price per credit is estimated on the basis of the discount granted when the credits are redeemed and on the basis of the likelihood of redemption, based on past experience. The value attributed to the customer loyalty award credits is deferred as a contract liability. Revenue from the award credits is recognised when the credits are redeemed or when they expire.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases

The Group leases various properties to operate its restaurants. Property leases are typically made for fixed periods of one to six years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable

— variable lease payment that are based on an index or a rate

— amounts expected to be payable by the lessee under residual value guarantees

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise IT-equipment and small items of office furniture.

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. All extension options held are exercisable only by the Group and not by the respective Lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks factors: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. The management monitors and manages the financial risks through internal risk assessment which analyses exposures by degree and magnitude of risks.

(i) Market risk

(a) Foreign exchange risk

The Group has investment in a subsidiary in the PRC, whose net assets is exposed to foreign currency translation risk.

(b) Interest rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. As at 31 December 2017, the Group's borrowings at variable rate were denominated in the HK$ (2016: Same).

At 31 December 2017, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis higher/lower with all other variables held constant, post-tax profit for the year would have been HK$157,000 (2016: HK$80,000) lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk

The Group has no significant concentration of credit risk with respect to trade receivables as the Group mainly sells to a large number of customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds, the Group does not have any other significant concentration of credit risk.

(iii) Liquidity risk

The liquidity of the Group is adequately managed and monitored by maintaining sufficient cash balance to meet its financial commitments. Accordingly, the directors are of the opinion that the Group does not have significant liquidity risk.

The contractual maturity for the Group's financial liabilities at the date of statement of financial position is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying amounts as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2016					
Trade payables	9,148	–	–	–	9,148
Other payables and accruals	11,473	–	–	–	11,473
Lease liabilities	37,925	36,318	43,964	–	118,207
Bank borrowings	12,289	2,156	6,289	–	20,734
Amounts due to related parties	280	–	–	–	280
	71,115	38,474	50,253	–	159,842
At 31 December 2017					
Trade payables	**13,499**	**–**	**–**	**–**	**13,499**
Other payables and accruals	**15,154**	**–**	**–**	**–**	**15,154**
Lease liabilities	**58,957**	**48,192**	**93,423**	**2,433**	**203,005**
Bank borrowings	**40,522**	**–**	**–**	**–**	**40,522**
	128,132	**48,192**	**93,423**	**2,433**	**272,180**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner to procure adequate financial resumes from the owner. The Group's overall strategy remains consistent during the years ended 31 December 2016 and 2017.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner or issue new shares.

The capital structure of the Group consists of shareholders' equity and total borrowings. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position and excluding lease liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statements of financial position plus net debt.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratios as at 31 December 2016 and 2017 are as follows:

	2017 HK$'000	2016 HK$'000
Total borrowings	**37,614**	19,394
Less: cash and cash equivalents	**(56,424)**	(23,906)
Net cash	**(18,810)**	(4,512)
Total equity	**90,993**	47,806
Total capital	**72,183**	43,294
Gearing ratio	**N/A**	N/A

As at 31 December 2017, the Group had a net cash position and its cash and cash equivalents exceeded the total balance of borrowings by HK$18,810,000 (2016: HK$4,512,000) respectively. Accordingly, the analysis on the Group's gearing ratio is not presented in the consolidated financial statements.

3.3 Fair value estimation

The carrying values less impairment provision of trade and other receivables, and trade and other payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments, unless the effect of discounting is insignificant.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may be not recoverable. These impairment indicators included (i) operating losses incurred by restaurants during the financial year, except for new restaurants in their first year of operation; or (ii) plans to close a restaurant. An impairment loss may be recognised if the assets' carrying amounts exceed their recoverable amounts. The recoverable amounts have been determined based on fair value less costs to sell or value-in-use valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are estimated using appropriate revenue growth rate, operating margin, and discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of its operations.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(ii) Customer loyalty award credits

The amount of revenue attributable to the customer loyalty award credits earned by the members of the Group's customer loyalty programmes is estimated based on the fair value of the credits awarded and the expected redemption rate. The fair value of the credits awarded is estimated by reference to revenue. The expected redemption rate was estimated based on historical experience and anticipated redemption pattern.

(iii) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group recognises deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group consider future taxable income and ongoing prudent and appropriate tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of tax loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

5 SEGMENT INFORMATION

The CODM has been identified as the executive directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of segment profit, which is a measure of adjusted profit before income tax. The adjusted profit before income tax is measured consistently with the Group's profit before income tax except that other income and gains, net, finance income, finance costs, share of losses of associates as well as head office expenses are excluded from such measurement.

The Group is principally engaged in operation of restaurants and provision of catering management and consultancy services.

5 SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue, results, assets and liabilities by operating and reportable segments:

Segment revenue and results

Year ended 31 December 2017

	Operation of restaurants HK$'000	Catering management and consultancy services HK$'000	Total HK$'000
Total segment revenue	267,534	17,398	284,932
Inter-segment revenue	–	(14,940)	(14,940)
Revenue	267,534	2,458	269,992
Timing of revenue recognition			
Over time	267,534	2,458	269,992
Result			
Segment profit	19,236	1,982	21,218
Other losses, net			(48)
Unallocated staff costs			(11,690)
Unallocated depreciation and amortisation			(950)
Unallocated utilities and consumables			(50)
Unallocated other expenses			(1,527)
Share of losses of associates			(8)
Listing expense			(15,994)
Loss before income tax			(9,049)

5 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Year ended 31 December 2016

	Operation of restaurants HK$'000	Catering management and consultancy services HK$'000	Total HK$'000
Total segment revenue	216,192	9,435	225,627
Inter-segment revenue	–	(7,834)	(7,834)
Revenue	216,192	1,601	217,793
Timing of revenue recognition			
Over time	216,192	1,601	217,793
Result			
Segment profit	16,035	801	16,836
Other income and gains, net			1,011
Unallocated staff costs			(8,603)
Unallocated depreciation and amortisation			(738)
Unallocated utilities and consumables			(61)
Unallocated other expenses			(1,480)
Share of losses of associates			(509)
Listing expenses			(4,696)
Profit before income tax			1,760

Note: The following table sets out the disaggregation by restaurant of Group's revenue from operation of restaurants in Hong Kong.

	2017 HK$'000	2016 HK$'000
Restaurant A	**15,099**	19,665
Restaurant B	**26,622**	27,089
Restaurant C	**39,929**	40,937
Restaurant D	**14,028**	14,082
Restaurant E	**28,848**	23,679
Restaurant F	**33,920**	33,745
Restaurant G	**39,933**	41,702
Restaurant H	**–**	5,269
Restaurant I	**–**	8,707
Restaurant J	**25,018**	1,317
Restaurant K	**11,131**	–
Restaurant L	**12,010**	–
Restaurant M	**20,996**	–
	267,534	216,192

5 SEGMENT INFORMATION (CONTINUED)

Information about major customers

There are no single external customers contributed to more than 10% of revenue of the Group during the year ended 31 December 2017 (2016: Same).

Segment assets and liabilities

At 31 December 2017

	Operation of restaurants HK$'000	Catering management and consultancy services HK$'000	Elimination HK$'000	Total HK$'000
Segment assets	**382,838**	**75,761**	**(106,481)**	**352,118**
Elimination of inter-segment receivables	**(69,415)**	**(37,066)**	**106,481**	**–**
	313,423	**38,695**	**–**	**352,118**
Segment liabilities	**294,988**	**72,618**	**(106,481)**	**261,125**
Elimination of inter-segment payables	**(37,066)**	**(69,415)**	**106,481**	**–**
	257,922	**3,203**	**–**	**261,125**

At 31 December 2016

	Operation of restaurants HK$'000	Catering management and consultancy services HK$'000	Elimination HK$'000	Total HK$'000
Segment assets	211,157	25,391	(33,550)	202,998
Elimination of inter-segment receivables	(21,955)	(11,595)	33,550	–
	189,202	13,796	–	202,998
Segment liabilities	164,468	24,274	(33,550)	155,192
Elimination of inter-segment payables	(11,595)	(21,955)	33,550	–
	152,873	2,319	–	155,192

5 SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from operation of restaurants is mainly derived from customers in Hong Kong and revenue from catering management and consultancy services is mainly derived from customers in Hong Kong and the PRC. The principal assets of the Group were also located in Hong Kong as at 31 December 2017 and 2016. Accordingly, no analysis by geographical segment is provided.

6 REVENUE

Revenue represents income from operation of restaurants and catering management and consultancy services.

	2017	2016
	HK$'000	HK$'000
Operation of restaurants	**267,534**	216,192
Catering management and consultancy services	**2,458**	1,601
	269,992	217,793

7 OTHER (LOSSES)/GAINS AND INCOME, NET

	2017	2016
	HK$'000	HK$'000
(Loss)/gain on disposal of property, plant and equipment	**(99)**	588
Gains on early termination of a lease contract	**–**	147
Loss on disposal of associates	**–**	(14)
Sundry income	**51**	297
	(48)	1,018

8 FINANCE COSTS, NET

	2017	2016
	HK$'000	HK$'000
Finance income		
Interest income	**26**	4
Finance cost		
Interest expenses on bank borrowings	**(685)**	(349)
Interest expenses on lease liabilities	**(4,130)**	(3,094)
	(4,815)	(3,443)
Finance costs, net	**(4,789)**	(3,439)

9 OTHER OPERATING EXPENSES

	2017 HK$'000	2016 HK$'000
Auditor's remuneration		
— Audit services	**1,100**	305
— Non-audit services	**206**	151
Advertising and promotion	**674**	723
Cleaning and laundry expenses	**8,280**	5,763
Credit card charges	**4,348**	3,492
Commission	**691**	218
Decoration	**406**	337
Legal and professional fees	**1,592**	1,286
Paper and related supplies	**757**	588
Printing expenses	**1,046**	835
Restaurant supplies	**1,881**	1,167
Repair and maintenance	**1,454**	1,489
Staff training, recruitment and uniform	**613**	422
Travelling expenses	**666**	713
Others	**2,542**	1,544
	26,256	19,033

10 EMPLOYEE BENEFIT EXPENSES

	2017 HK$'000	2016 HK$'000
Wages, salaries, bonus and other benefits	**83,517**	70,607
Pension costs — defined contribution plans	**3,539**	3,197
	87,056	73,804

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 included two (2016: two) directors whose emoluments are reflected in the analysis presented in note 30. The emoluments payable to the remaining three (2016: three) individuals during the years ended 31 December 2017 and 2016 are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, allowances and benefits	**2,090**	1,712
Discretionary bonuses	**317**	302
Employer's contribution to pension scheme	**54**	50
	2,461	2,064

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK dollar)		
HK$500,001–HK$1,000,000	**2**	3
Over HK$1,000,000	**1**	–

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2017 (2016: Same).

11 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 December 2017.

The amount of income tax expense charged/(credited) to the consolidated income statement represents:

	2017 **HK$'000**	2016 HK$'000
Current profits tax		
— Current income tax for the year	**3,158**	2,164
— Under-provision in prior year	**13**	–
Deferred tax	**(1,447)**	(954)
Income tax	**1,724**	1,210

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong, as follows:

	2017 **HK$'000**	2016 HK$'000
(Loss)/profit before income tax	**(9,049)**	1,760
Share of results of associates	**8**	509
	(9,041)	2,269
Tax calculated at a tax rate of 16.5%	**(1,492)**	374
Tax reduction	**(100)**	(80)
Income not subject to tax	**(101)**	(1)
Expenses not deductible for tax purposes	**2,785**	917
Under-provision in prior year	**13**	–
Tax losses and other temporary differences for which no deferred income tax asset was recognised	**619**	–
Income tax	**1,724**	1,210

12 (LOSSES)/EARNINGS PER SHARE

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	2016
(Loss)/profit attributable to owners of the Company (HK$'000)	**(11,094)**	359
Weighted average number of ordinary shares in issue (in thousands) (Note)	**245,778**	240,000
Basic (losses)/earnings per share (HK cents)	**(4.51)**	0.15

Note:

The weighted average number of shares in issue for the years ended 31 December 2017 and 2016 for the purpose of (losses)/earnings per share computation has been retrospectively adjusted for the effect of the 1 share issued on 3 February 2016 (the date of incorporation of the Company), 99,999 shares issued on 28 December 2016 under the Reorganisation in preparation for the Listing (Note 1.2) and the 239,900,000 shares issued under the capitalisation issue on 6 November 2017 (Note 20(a)).

(b) Diluted

Diluted (losses)/earnings per share for the years ended 31 December 2017 and 2016 were the same as the basic (losses)/earnings per share as there were no potential dilutive ordinary shares.

13 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improve-ments HK$'000	Furniture and fixture HK$'000	Kitchen and operating equipment HK$'000	Computer equipment HK$'000	Total HK$'000
At 1 January 2016						
Cost	177,053	55,508	4,349	9,382	1,324	247,616
Accumulated depreciation	(63,208)	(23,205)	(2,273)	(3,536)	(527)	(92,749)
Net book amount	113,845	32,303	2,076	5,846	797	154,867
Year ended 31 December 2016						
Opening net book amount	113,845	32,303	2,076	5,846	797	154,867
Additions	17,705	6,526	617	1,574	294	26,716
Acquisition of a subsidiary	11,913	2,635	447	–	–	14,995
Disposal	(421)	(6)	(18)	(5)	(81)	(531)
Depreciation	(30,989)	(9,432)	(791)	(1,793)	(234)	(43,239)
Impairment	(455)	–	–	–	–	(455)
Closing net book amount	111,598	32,026	2,331	5,622	776	152,353

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets HK$'000	Leasehold improve-ments HK$'000	Furniture and fixture HK$'000	Kitchen and operating equipment HK$'000	Computer equipment HK$'000	Total HK$'000
At 31 December 2016						
Cost	199,036	61,286	4,993	10,649	1,436	277,400
Accumulated depreciation	(86,983)	(29,260)	(2,662)	(5,027)	(660)	(124,592)
Provision for impairment	(455)	–	–	–	–	(455)
Net book amount	111,598	32,026	2,331	5,622	776	152,353
Year ended 31 December 2017						
Opening net book amount	111,598	32,026	2,331	5,622	776	152,353
Additions	122,915	20,056	418	3,789	646	147,824
Disposal	–	(52)	(6)	(35)	(6)	(99)
Depreciation	(41,294)	(11,732)	(1,004)	(2,268)	(368)	(56,666)
Closing net book amount	193,219	40,298	1,739	7,108	1,048	243,412
At 31 December 2017						
Cost	303,241	77,391	5,221	13,625	1,952	401,430
Accumulated depreciation	(110,022)	(37,093)	(3,482)	(6,517)	(904)	(158,018)
Net book amount	193,219	40,298	1,739	7,108	1,048	243,412

14 INTANGIBLE ASSETS

	2017 **HK$'000**	2016 HK$'000
At 1 January		
Cost	**1,334**	854
Accumulated amortisation	**(104)**	(61)
Net book amount	**1,230**	793
Opening net book amount	**1,230**	793
Acquisition of a subsidiary	**–**	480
Addition	**778**	–
Amortisation charge	**(160)**	(43)
Closing net book amount	**1,848**	1,230
At 31 December		
Cost	**2,112**	1,334
Accumulated amortisation	**(264)**	(104)
Net book amount	**1,848**	1,230

The intangible assets mainly represent the franchise and licensing rights acquired. The intangible assets have estimated useful lives of 10 to 20 years and are amortised on a straight-line basis over the estimated useful lives.

15 SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2017.

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held by the Group 31 December 2017	Effective interest held by the Group 31 December 2016
Directly held by group:					
1957 & Co. (BVI) Hospitality Limited	BVI, 4 February 2016	Investment holding in BVI	1 ordinary share, US$ 1	**100%**	100%
Indirect Interests:					
1957 & Co. (Hospitality) HK Limited	Hong Kong, 27 July 2009	Investment holding and ownership of trade marks in Hong Kong	33,500,000 ordinary shares, HK$1,000,000	**100%**	100%
1957 & Co. (Management) Limited	Hong Kong, 27 July 2009	Restaurant management and consultancy services in Hong Kong	1,000,000 ordinary shares, HK$1,000,000	**100%**	100%
1957 & Co. (Shenzhen) Restaurant Management Limited	The PRC, 11 November 2016	Restaurant management and consultancy services in the PRC	Registered capital of US$200,000	**100%**	100%
1957 and Partners Limited	Hong Kong, 30 June 2017	Restaurant operation in Hong Kong	100 ordinary shares, HK$100	**51%**	N/A
An Nam (Festival Walk) Restaurant Limited	Hong Kong, 23 March 2015	Restaurant operation in Hong Kong	1,000,000 ordinary shares, HK$1,000,000	**100%**	100%
An Nam Restaurant Limited	Hong Kong, 31 May 2013	Restaurant operation in Hong Kong	1,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Bella Vita Limited	Hong Kong, 5 July 2010	Restaurant operation in Hong Kong	8,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Gonpachi Restaurant Limited	Hong Kong, 31 May 2013	Restaurant operation in Hong Kong	1,000,000 ordinary shares, HK$18,000,000	**100%**	100%
Hokkaidon Restaurant Limited	Hong Kong, 16 August 2016	Restaurant operation in Hong Kong	70,000 ordinary shares, HK$7,000,000	**60%**	60%

15 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued share capital	Effective interest held by the Group 31 December 2017	31 December 2016
Indirect Interests: (Continued)					
L Garden and Partners Limited	Hong Kong, 30 June 2017	Restaurant operation in Hong Kong	100 ordinary shares, HK$100	**71%**	N/A
Mango Tree (HK) Limited	Hong Kong, 6 July 2011	Restaurant operation in Hong Kong	7,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Mango Tree (Kowloon) Limited	Hong Kong, 28 August 2012	Restaurant operation in Hong Kong	13,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Modern Shanghai (Hong Kong) Food & Beverage Limited	Hong Kong, 7 January 2015	Restaurant operation in Hong Kong	9,100,000 ordinary shares, HK$100,000	**60%**	60%
Modern Shanghai (YOHO Midtown) Restaurant Limited	Hong Kong, 19 Mach 2015	Restaurant operation in Hong Kong	9,000,000 ordinary shares, HK$100,000	**60%**	60%
Petit An Nam (YOHO Midtown) Restaurant Limited	Hong Kong, 27 March 2015	Restaurant operation in Hong Kong	7,500,000 ordinary shares, HK$1,000,000	**100%**	100%
Sushi Ta-ke Limited	Hong Kong, 16 April 2010	Restaurant operation in Hong Kong	8,000,000 ordinary shares, HK$1,000,000	**100%**	100%

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests

The total non-controlling interests as at 31 December 2016 and 2017 represents net equity shared by non-controlling shareholders of HK$6,019,000 and HK$19,980,000 respectively. The non-controlling interests are attributable to Modern Shanghai (HK) Food & Beverage Limited and its subsidiary, Modern Shanghai (YOHO Midtown) Restaurant Limited (collectively, "Modern Shanghai Group"), Hokkaidon Restaurant Limited ("Hokkaidon"), 1957 and Partners Limited ("1957 and Partners") and L Garden and Partners Limited ("L Garden"). On 15 June 2017, the Group entered into an agreement with Jarrett Investment Limited to incorporate L Garden where the Group owns 71% equity interest. On the same date, the Group also entered into an agreement with Batovian Investments Limited and Chairman Food & Beverage Management Limited, a company wholly-owned by a non-controlling shareholder of a subsidiary of the Group, to incorporate 1957 and Partners where the Group owns 51% equity interest.

Summarised financial information on subsidiary with material non-controlling interests

Set out below are the summarised financial information for subsidiaries that have non-controlling interests that are material to the Group.

Summarised statements of financial position

At 31 December 2017

	Modern Shanghai Group HK$'000	Hokkaidon HK$'000	1957 and Partners HK$'000	L Garden HK$'000
Current				
Assets	10,228	3,566	5,596	9,205
Liabilities	(6,027)	(4,387)	(4,883)	(5,253)
Total net current assets/(liabilities)	4,201	(821)	713	3,952
Non-current				
Assets	13,878	15,099	35,165	36,727
Liabilities	(6,858)	(6,847)	(21,081)	(22,510)
Total net non-current assets	7,020	8,252	14,084	14,217
Net assets	11,221	7,431	14,797	18,169

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statements of financial position (Continued)

At 31 December 2016

	Modern Shanghai Group HK$'000	Hokkaidon HK$'000
Current		
Assets	4,518	4,288
Liabilities	(5,179)	(4,252)
Total net current (liabilities)/assets	(661)	36
Non-current		
Assets	17,994	15,908
Liabilities	(9,285)	(8,944)
Total net non-current assets	8,709	6,964
Net assets	8,048	7,000

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statements of comprehensive income

	Year ended 31 December 2017		Period from 30 June 2017 (date of incorporation) to 31 December 2017	
	Modern Shanghai Group HK$'000	**Hokkaidon HK$'000**	**1957 and Partners HK$'000**	**L Garden HK$'000**
Revenue	**28,848**	**20,996**	**–**	**–**
Profit/(loss) before income tax	**3,908**	**415**	**(1,680)**	**(1,631)**
Income tax (expenses)/credit	**(635)**	**16**	**277**	**–**
Profit/(loss) and total comprehensive income/(loss) for the year	**3,273**	**431**	**(1,403)**	**(1,631)**
Profit/(loss) and total comprehensive income/(loss) for the year allocated to non-controlling interests	**1,309**	**172**	**(687)**	**(473)**

	Year ended 31 December 2016 Modern Shanghai Group HK$'000
Revenue	23,679
Profit before income tax	590
Income tax expenses	(113)
Profit and total comprehensive income for the year	477
Profit and total comprehensive income for the year allocated to non-controlling interests	191

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statements of cash flows

	Year ended 31 December 2017		Period from 30 June 2017 (date of incorporation) to 31 December 2017	
	Modern Shanghai Group HK$'000	Hokkaidon HK$'000	1957 and Partners HK$'000	L Garden HK$'000
Net cash generated from/(used in) operating activities	**4,591**	**1,076**	**(6,209)**	**(9,779)**
Net cash used in investing activities	**(61)**	**(2,902)**	**(8,235)**	**(8,090)**
Net cash (used in)/generated from financing activities	**(2,586)**	**(1,995)**	**14,444**	**17,869**
Net increase/(decrease) in cash and cash equivalent	**1,944**	**(3,821)**	**–**	**–**
Cash and cash equivalents at date of incorporation/beginning of year	**1,139**	**4,210**	**–**	**–**
Cash and cash equivalents at end of year	**3,083**	**389**	**–**	**–**

	Year ended 31 December 2016 Modern Shanghai Group HK$'000
Net cash generated from operating activities	2,391
Net cash used in investing activities	(846)
Net cash generated used in financing activities	(2,383)
Net decrease in cash and cash equivalent	(838)
Cash and cash equivalents at beginning of year	1,977
Cash and cash equivalents at end of year	1,139

16 INTEREST IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Investment in an associate	**28**	36

Movement of interest in associates during the years ended 31 December 2016 and 2017 are analysed as below:

	2017 HK$'000	2016 HK$'000
As at 1 January	**36**	361
Share of losses of associates	**(8)**	(318)
Currency translation differences	**–**	(7)
As at 31 December	**28**	36

The particulars of the Group's associated company as at 31 December 2017 are as follows:

Name of entity	Principal activity	Place of business/country of incorporation	% of ownership interest As at 31 December 2017	2016	Measurement method
Modern Shanghai International Food & Beverage Limited	Investment holding	Hong Kong	**40%**	40%	Equity method

The directors are of the opinion that the interest in an associate is not material to the Group as at 31 December 2017. There are no material contingent liabilities relating to the Group's interest in the associates.

17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**3,512**	3,788
Deposits	**2,882**	2,223
Prepayments	**18,640**	1,846
Prepaid listing expenses	**–**	1,240
Other receivables	**841**	955
	22,363	6,264
Less non-current portion:		
Prepayments for purchase of property, plant and equipment	**(16,325)**	(551)
Current portion	**6,038**	5,713

The credit periods granted to customers other than credit card companies were 30 to 60 days.

The carrying amounts of trade receivables, prepayments, deposits and other receivables approximate their fair values and are denominated in HK$.

As at 31 December 2017, the Group does not have any trade and other receivables that are impaired (2016: Same).

The aging analysis of the trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
1 to 30 days	**3,065**	2,606
31 to 60 days	**167**	196
61 to 90 days	**92**	186
Over 90 days	**188**	800
	3,512	3,788

17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2017, trade receivables of HK$420,000 (2016: HK$1,095,000) were past due but not impaired. These were related to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
1 to 30 days	**205**	232
31 to 60 days	**147**	96
61 to 90 days	**–**	136
Over 90 days	**68**	631
	420	1,095

18 INVENTORIES

	2017 HK$'000	2016 HK$'000
Food and beverages	**1,676**	1,096

The cost of inventories recognised as expense and included in "cost of inventories sold" amounted to HK$71,665,000 for the year ended 31 December 2017 (2016: HK$58,845,000).

19 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2017 HK$'000	2016 HK$'000
Cash at banks	**55,374**	23,233
Cash on hand	**1,050**	673
Cash and cash equivalents	**56,424**	23,906
Pledged bank deposits (Note)	**12,835**	6,078
Denominated in:		
Hong Kong Dollar	**69,173**	29,457
Renminbi	**84**	245
US Dollar	**2**	282
	69,259	29,984
Maximum exposure on credit risk	**68,209**	29,311

Note: As at 31 December 2017, bank deposits of HK$1,814,000 and HK$11,021,000 (2016: HK$3,078,000 and HK$3,000,000) were pledged as guarantee for payments under lease agreement and bank borrowings, respectively.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital	Share premium
		HK$'000	HK$'000
Authorised:			
Ordinary share capital of HK$0.0001 each as at 31 December 2016 and 2017	3,800,000,000	380	–
Issued and fully paid:			
As at 1 January 2016	–	–	–
Issue of shares at date of incorporation of the Company (Note 1.2)	1	–	–
Issue of shares pursuant to the Reorganisation (Note 1.2)	99,999	–	46,483
As at 31 December 2016	100,000	–	46,483
Capitalisation issue of shares (Note (a))	239,900,000	24	(24)
Shares issued pursuant to the Listing (Note (b))	80,000,000	8	50,392
Transaction costs directly attributable to the Listing (Note (b))	–	–	(10,078)
As at 31 December 2017	320,000,000	32	86,773

(a) Pursuant to the resolution passed by the shareholders of the Company on 6 November 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the share offering of the Company's shares, the Company issued additional 239,900,000 shares, credited as fully paid, to the existing shareholders of the Company.

(b) On 5 December 2017, the Company issued 80,000,000 ordinary shares at an issue price of HK$0.63 per share for an aggregated consideration of HK$50,400,000 upon the completion of the Listing. These shares rank pari passu in all respects with the shares in issue. The transaction costs directly attributable to issue of shares amounting to HK$10,078,000 was treated as a deduction from share premium.

21 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (Note (a))	**13,499**	9,148
Accrued staff costs	**6,579**	5,773
Accrued listing expenses	**1,153**	951
Payable for contingent rent (Note (b))	**738**	532
Payable for purchase of property, plant and equipment	**2,125**	3,240
Other accrued operating expenses	**5,990**	2,593
Other payables	**398**	228
	16,983	13,317
Total trade and other payables	**30,482**	22,465

The carrying amounts of trade and other payables approximate their fair value and are denominated in HK$.

Notes:

(a) Payment term on majority of purchase of goods is 30 to 60 days.

An ageing analysis of trade payables based on invoice date as at the date of consolidated statement of financial position is as follows:

	2017 HK$'000	2016 HK$'000
1 to 30 days	**7,367**	4,980
31 to 60 days	**6,039**	4,052
61 to 90 days	**6**	46
Over 90 days	**87**	70
	13,499	9,148

(b) Contingent rents determined with reference to the Group's revenue from relevant restaurant operations that are not included in lease liabilities are recognised as "rental expenses". The Group recognised HK$3,701,000 (2016: HK$3,132,000) contingent rent for the year ended 31 December 2017.

22 LEASE LIABILITIES

	2017 HK$'000	2016 HK$'000
Minimum lease payments due		
— Within 1 year	**58,957**	37,925
— Between 1 and 2 years	**48,192**	36,318
— Between 2 and 5 years	**93,423**	43,964
— Later than 5 years	**2,433**	–
	203,005	118,207
Less: future finance charges	**(13,018)**	(6,156)
Present value of lease liabilities	**189,987**	112,051

	2017 HK$'000	2016 HK$'000
Within 1 year	**53,650**	37,925
Between 1 and 2 years	**44,510**	37,470
Between 2 and 5 years	**89,399**	36,656
Later than 5 years	**2,428**	–
	189,987	112,051

The Group leases various properties to operate its restaurants and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. Extension options are included in a number of property leases across the Group. Periods covered by extension options were included in the lease terms as the Group was reasonably certain to exercise the options.

The total cash outflows for leases including payments of lease liabilities, payments of interest expenses on leases and payments of contingent rents for the year ended 31 December 2017 were HK$52,810,000 (2016: HK$36,660,000).

23 CONTRACT LIABILITIES

Contract liabilities represent the unutilised credits under the customer loyalty programme.

	2017 HK$'000	2016 HK$'000
As at 1 January	**411**	453
Additional provision during the year	**3,434**	2,258
Redemption	**(2,534)**	(2,073)
Expired	**(514)**	(227)
As at 31 December	**797**	411

24 BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Non-current		
Bank borrowings due for repayment between 1 and 2 years	**–**	1,944
Bank borrowings due for repayment between 2 and 5 years	**–**	6,014
	–	7,958
Current		
Bank borrowings due for repayment within 1 year	**37,614**	11,436
	37,614	19,394

The Group's bank borrowings as at 31 December 2017 and 2016 were all denominated in HK$.

As at 31 December 2017, the Group's bank borrowings were secured by corporate guarantee given by the Company (2016: personal guarantee given by the shareholders of the Group) and pledged bank deposits of HK$11,021,000 (2016: HK$6,012,000).

The weighted average effective interest rates of the bank borrowings as at 31 December 2017 was 3.3% per annum (2016: 3.0% per annum).

The carrying amounts of the Group's bank borrowings at 31 December 2017 and 2016 are approximate their fair values as the discounting effect is insignificant.

According to the repayment schedule of the bank borrowings, without considering the repayable on demand clause, bank borrowings were repayable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**8,392**	4,220
Between 1 and 2 years	**8,679**	4,348
Between 2 and 5 years	**20,543**	10,826
	37,614	19,394

25 DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority.

	2017 HK$'000	2016 HK$'000
Deferred income tax assets		
— to be recovered after more than 12 months	**8,666**	7,654
— to be recovered within 12 months	**447**	21
	9,113	7,675
Deferred income tax liabilities		
— to be recovered after more than 12 months	**(12)**	–
— to be recovered within 12 months	**(4)**	(25)
	(16)	(25)
Deferred income tax assets (net)	**9,097**	7,650

The movements in the net deferred income tax assets are as follows

	2017 HK$'000	2016 HK$'000
At 1 January	**7,650**	6,696
Credited to income statement (Note 11)	**1,447**	954
At 31 December	**9,097**	7,650

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% prevailing at the time when the temporary differences are expected to realise or settle.

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2017, the Group did not recognise deferred income tax assets of HK$176,000 (2016: Nil) in respect of tax losses amounting to HK$1,067,000 (2016: Nil) and HK$443,000 (2016: Nil) in respect of other deductible temporary differences amounting to HK$2,683,000 (2016: Nil) that can be carried forward against future taxable income. There is no expiry dates for the unrecognised tax losses.

25 DEFERRED TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2017 and 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2017 **HK$'000**	2016 HK$'000
Deferred tax assets		
Decelerated tax depreciation:		
At 1 January	**2,494**	2,275
Credited to income statement	**1,310**	219
31 December	**3,804**	2,494
Tax losses:		
1 January	**3,910**	3,536
(Charged)/credited to income statement	**(268)**	374
31 December	**3,642**	3,910
Leases:		
At 1 January	**1,380**	1,399
Credited/(charged) to income statement	**306**	(19)
At 31 December	**1,686**	1,380
Deferred income tax assets as at 31 December	**9,132**	7,784
Deferred tax liabilities		
Accelerated tax depreciation:		
At 1 January	**(134)**	(514)
Credited to income statement	**99**	380
At 31 December	**(35)**	(134)

26 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	2017	2016
	HK$'000	HK$'000
Trade and other receivables excluding prepayments	**7,235**	6,966
Amounts due from related parties (Note 29 (b))	**80**	40
Pledged bank deposits (Note 19)	**12,835**	6,078
Cash and cash equivalents (Note 19)	**56,424**	23,906
	76,574	36,990

	Financial liabilities	
	2017	2016
	HK$'000	HK$'000
Trade and other payables	**28,653**	20,621
Amounts due to related parties (Note 29(b))	**–**	280
Lease liabilities (Note 22)	**189,987**	112,051
Bank borrowings (Note 24)	**37,614**	19,394
	256,254	152,346

27 COMMITMENT

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2017	2016
	HK$'000	HK$'000
Property, plant and equipment	**6,713**	2,433

(b) Lease commitments — as lessee

Lease commitments of the Group for leases not yet commenced is as follows:

	2017	2016
	HK$'000	HK$'000
Not later than one year	**–**	2,054
Later than one year and not later than five years	**–**	18,006
Later than five years	**–**	6,527
	–	26,587

28 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2017 and 2016 .

29 RELATED PARTY TRANSACTIONS

The major related parties that had transactions and balances with the Group were as follows:

Name of related parties	Relationship with the Group
Modern Shanghai International Food & Beverage Limited	Associated company
An Nam (Qingdao) Restaurant Limited	Associated company
Mango Tree (Qingdao) Restaurant Limited	Associated company
Chairman Food & Beverage Management Limited	Non-controlling shareholder of subsidiaries
Food Master (HK) Limited	Non-controlling shareholder of a subsidiary
Perfect Win Properties Limited	Related company controlled by non-controlling shareholder of subsidiaries
Barrowgate Limited	Related company controlled by non-controlling shareholder of subsidiaries
Steve Leung Designers Limited	Related company controlled by a director
Tino Kwan Lighting Consultants Limited	Related company controlled by a director

(a) Key management compensation

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in note 30.

(b) Balances with related parties

	2017 HK$'000	2016 HK$'000
Non-trading balance:		
Amount due from a non-controlling shareholder of a subsidiary		
— Chairman Food & Beverage Management Limited	–	40
Non-trading balance:		
Amount due from an associate		
— Modern Shanghai International Food & Beverage Limited	80	–
Amounts due from related parties	80	40

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

	2017 HK$'000	2016 HK$'000
Non-trading balance:		
Amount due to an associate		
— Modern Shanghai International Food & Beverage Limited	–	(103)
Non-trading balance:		
Amount due to a non-controlling shareholder of a subsidiary		
— Food Master (HK) Limited	–	(177)
Amounts due to related parties	–	(280)
Trading balances:		
Prepayments for purchase of property, plant and equipment		
— Steve Leung Designers Limited	2,261	190
— Tino Kwan Lighting Consultants Limited	66	–
	2,327	190
Trading balances:		
Lease liabilities		
— Perfect Win Properties Limited	(8,461)	N/A
— Barrowgate Limited	(53,008)	N/A
	(61,469)	–
Trading balances:		
Payables for purchase of property, plant and equipment		
— Steve Leung Designers Limited	(319)	(225)
— Tino Kwan Lighting Consultants Limited	(266)	(112)
	(585)	(337)

Note: An Nam (Qingdao) Restaurant Limited and Mango Tree (Qingdao) Restaurant Limited ceased to be the associates of the Group during the year ended 31 December 2016. The disposal of associates were completed on 23 December 2016.

The amounts due from and due to an associate and a non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable on demand. The carrying amount of these balances approximate their fair values and are denominated in HK$.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

	2017 **HK$'000**	2016 HK$'000
Purchases of property, plant and equipment from related companies (Note (a))		
— Steve Leung Designers Limited	**2,209**	740
— Tino Kwan Lighting Consultants Limited	**658**	80
	2,867	820
Management consultancy fee (Note (b))		
— An Nam (Qingdao) Restaurant Limited	**N/A**	217
— Mango Tree (Qingdao) Restaurant Limited	**N/A**	241
	–	458
Lease payment (Note (c))		
— Perfect Win Properties Limited	**9,525**	N/A
— Barrowgate Limited	**532**	N/A
	10,057	–

Notes:

(a) Purchases of property, plant and equipment from related companies was conducted in the normal course of business at prices and terms as agreed between the Group and the respective parties.

(b) Management fee is charged in accordance with the agreement entered into between the relevant parties.

(c) Lease payment is charged in accordance with the agreement entered into between the relevant parties.

30 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of each director for the year ended 31 December 2017 are set out below:

Name	Fee	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme contributions	Remunerations paid or receivable in respect of accepting office as director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:								
Kwok Chi Po (Chief Executive Officer) (Note (i))	–	1,425	173	180	–	18	–	1,796
Kwan Wing Kuen Tino (Note (i))	52	–	–	–	–	–	–	52
Lau Ming Fai (Note (ii))	–	1,010	123	–	–	18	–	1,151
Leung Nicholas Nic-hang (Note (iv))	–	237	20	–	–	13	–	270
Non-executive directors:								
Leung Chi Tien Steve (Note (iii))	–	–	–	–	–	–	–	–
Independent non-executive Directors								
How Sze Ming (Note (vi))	18	–	–	–	–	–	–	18
Ng Wai Hung (Note (vi))	18	–	–	–	–	–	–	18
Chan Kam Kwan Jason (Note (vi))	18	–	–	–	–	–	–	18
	106	2,672	316	180	–	49	–	3,323

30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remunerations of each director for the year ended 31 December 2016 are set out below:

Name	Fee	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme contributions	Remunerations paid or receivable in respect of accepting office as director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:								
Kwok Chi Po (Chief Executive Officer) (Note (i))	–	1,245	263	180	–	18	–	1,706
Kwan Wing Kuen Tino (Note (i))	–	–	–	–	–	–	–	–
Lau Ming Fai (Note (ii))	–	890	188	–	–	18	–	1,095
Non-executive directors:								
Leung Chi Tien Steve (Note (iii))	–	–	–	–	–	–	–	–
	–	2,135	451	180	–	36	–	2,802

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as directors of the companies comprising the Group during the years ended 31 December 2017 and 2016.

Notes:

(i) Mr. Kwok Chi Po and Mr. Kwan Wing Kuen Tino were appointed as executive directors of the Company on 2 March 2016.

(ii) Mr. Lau Ming Fai was appointed as executive director of the Company on 16 February 2017.

(iii) Mr. Leung Chi Tien Steve was re-designated to non-executive director of the Company on 16 February 2017.

(iv) Mr. Leung Nicholas Nic-hang was appointed as executive director of the Company on 16 February 2017. During the year ended 31 December 2016, Mr. Leung Nicholas Nic-hang has not yet been appointed and did not receive any director's remuneration in the capacity of executive directors.

(v) Mr. Kwan Nicholas Alexander Yan Tat was appointed as non-executive director of the Company on 16 February 2017 and resigned as non-executive director of the Company on 24 August 2017.

(vi) Mr. How Sze Ming, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason were appointed as the Company's independent non-executive directors on 6 November 2017. During the year ended 31 December 2016, the independent non- executive directors have not yet been appointed and received nil directors' remuneration in the capacity of independent non-executive directors.

(vii) During the years ended 31 December 2017 and 2016 no directors waived or agreed to waived any emoluments.

30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits under a defined benefit scheme or termination benefits during the years ended 31 December 2017 and 2016.

(c) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2017 and 2016.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the years or at any time during the years.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the year.

31 DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

Dividends during the year ended 31 December 2016 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for year ended 31 December 2016, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**46,483**	46,483
Current assets		
Prepayments	**–**	1,240
Amounts due from subsidiaries	**9,950**	–
Cash and cash equivalents	**11,044**	–
	20,994	1,240
Total assets	**67,477**	47,723
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**32**	–
Share premium	**86,773**	46,483
Accumulated losses	**(21,637)**	(4,696)
Total equity	**65,168**	41,787
LIABILITIES		
Current liabilities		
Accruals	**1,558**	951
Amount due to a subsidiary	**751**	4,985
	2,309	5,936
Total liabilities	**2,309**	5,936
Total equity and liabilities	**67,477**	47,723

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2016	–	–	–
Loss for the year	–	(4,696)	(4,696)
Issue of shares pursuant to the Reorganisation	46,483	–	46,483
As at 31 December 2016	**46,483**	**(4,696)**	**41,787**
Loss for the year	**–**	**(16,941)**	**(16,941)**
Capitalisation issue of shares (Note 20(a))	**(24)**	**–**	**(24)**
Shares issued pursuant to the Listing (Note 20(b))	**50,392**	**–**	**50,392**
Transaction costs directly attributable to the Listing (Note 20(b))	**(10,078)**	**–**	**(10,078)**
As at 31 December 2017	**86,773**	**(21,637)**	**65,136**