



1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

Interim Report 2019



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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 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.

Financial Highlights

During the six months ended 30 June 2019:

- the Group recorded unaudited revenue of approximately HK\$176.9 million (2018: HK\$167.5 million), representing an increase of approximately 5.6% as compared to the corresponding period ended 30 June 2018;
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$1.9 million (2018: HK\$7.5 million).

During the three months ended 30 June 2019:

- the Group recorded unaudited revenue of approximately HK\$90.4 million (2018: HK\$91.9 million), representing a decrease of 1.6% as compared to the corresponding period ended 30 June 2018;
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$0.3 million (2018: Loss of approximately HK\$0.4 million).

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2019

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

The Directors of 1957 & Co. (Hospitality) Limited are pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding periods in 2018, as follows:

| | Note | For the three months ended 30 June | | For the six months ended 30 June | |
|---|------|---------------------------------------|-------------------------|-------------------------------------|-------------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) | HK\$'000 (Unaudited) |
| Revenue | 4 | 90,388 | 91,883 | 176,942 | 167,501 |
| Other income and losses, net | | (218) | (244) | (68) | (69) |
| Cost of inventories sold | | (22,543) | (23,050) | (44,710) | (42,757) |
| Employee benefit expenses | | (31,484) | (30,852) | (62,562) | (60,345) |
| Depreciation, amortisation and impairment | | (18,965) | (19,494) | (37,401) | (37,864) |
| Royalty fees | | (1,284) | (1,275) | (2,500) | (2,492) |
| Rental expenses | | (1,938) | (1,561) | (3,904) | (4,242) |
| Utilities | | (2,334) | (2,414) | (4,723) | (4,689) |
| Other operating expenses | | (9,608) | (10,796) | (19,286) | (21,042) |
| Operating profit/(loss) | | 2,014 | 2,197 | 1,788 | (5,999) |
| Finance income | | 22 | 10 | 35 | 15 |
| Finance costs | 5 | (1,177) | (1,594) | (2,437) | (3,299) |
| Finance costs, net | | (1,155) | (1,584) | (2,402) | (3,284) |
| Share of losses of associates | | (123) | (796) | (268) | (800) |
| Profit/(loss) before income tax | | 736 | (183) | (882) | (10,083) |
| Income tax expense | 6 | (628) | (1,091) | (1,235) | (1,110) |
| Profit/(loss) for the period | | 108 | (1,274) | (2,117) | (11,193) |
| Profit/(loss) for the period attributable to: | | | | | |
| — Owners of the company | | 281 | (444) | (1,891) | (7,456) |
| — Non-controlling interests | | (173) | (830) | (226) | (3,737) |
| | | 108 | (1,274) | (2,117) | (11,193) |
| Earnings/(losses) per share attributable to owners of the company for the period (expressed in HK cents per share) | | | | | |
| — Basic and diluted | 8 | 0.08 | (0.14) | (0.57) | (2.33) |

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2019

| | For the three months ended 30 June | | For the six months ended 30 June | |
|--|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Profit/(loss) for the period | 108 | (1,274) | (2,117) | (11,193) |
| Other comprehensive loss | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | |
| — Currency translation differences | (38) | (43) | (3) | (43) |
| Total comprehensive income/(loss) for the period | 70 | (1,317) | (2,120) | (11,236) |
| Total comprehensive income/(loss) for the period attributable to: | | | | |
| — Owners of the company | 243 | (487) | (1,894) | (7,499) |
| — Non-controlling interests | (173) | (830) | (226) | (3,737) |
| | 70 | (1,317) | (2,120) | (11,236) |

Condensed Consolidated Statement of Financial Position

At 30 June 2019

| | Note | As at 30 June 2019 HK\$'000 (Unaudited) | As at 31 December 2018 HK\$'000 (Audited) |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 200,368 | 199,997 |
| Intangible assets | 10 | 1,524 | 1,632 |
| Interest in associates | 11 | 2,849 | 3,117 |
| Deferred tax assets | | 9,114 | 9,114 |
| | | 213,855 | 213,860 |
| Current assets | | | |
| Inventories | | 1,928 | 2,294 |
| Trade receivables | 12 | 5,971 | 4,855 |
| Prepayments, deposits and receivables | | 7,492 | 4,694 |
| Amounts due from related parties | | 25 | 108 |
| Tax recoverable | | – | 900 |
| Pledged bank deposits | | 13,068 | 12,853 |
| Cash and cash equivalents | | 48,201 | 41,379 |
| | | 76,685 | 67,083 |
| Total assets | | 290,540 | 280,943 |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 13 | 38 | 32 |
| Share premium | | 100,980 | 86,773 |
| Capital reserve | | (2,983) | (2,983) |
| Exchange reserve | | (430) | (427) |
| Accumulated losses | | (20,318) | (18,427) |
| | | 77,287 | 64,968 |
| Non-controlling interests | | 19,663 | 16,989 |
| Total equity | | 96,950 | 81,957 |

Condensed Consolidated Statement of Financial Position

At 30 June 2019

| | Note | As at 30 June 2019 HK\$'000 (Unaudited) | As at 31 December 2018 HK\$'000 (Audited) |
|---------------------------------|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 81,646 | 86,933 |
| Deferred income tax liabilities | | 45 | 45 |
| | | 81,691 | 86,978 |
| Current liabilities | | | |
| Trade payables | 14 | 13,871 | 14,554 |
| Accruals and other payables | | 17,173 | 20,366 |
| Lease liabilities | | 51,205 | 43,175 |
| Contract liabilities | | 2,051 | 1,681 |
| Income tax payables | | 500 | 151 |
| Amounts due to a related party | | 2,160 | 2,851 |
| Bank borrowings | 15 | 24,939 | 29,230 |
| | | 111,899 | 112,008 |
| Total liabilities | | 193,590 | 198,986 |
| Total equity and liabilities | | 290,540 | 280,943 |

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2019

| | Attributable to the owners of the Company | | | | | Total HK\$'000 | Non- controlling interest HK\$'000 | Total equity HK\$'000 |
|---|---|------------------------------|--------------------------------|---------------------------------|-----------------------------------|-------------------|---|-----------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 | Exchange reserve HK\$'000 | Accumulated losses HK\$'000 | | | |
| (Unaudited) | | | | | | | | |
| Balance at 1 January 2018 | 32 | 86,773 | (2,983) | (2) | (12,807) | 71,013 | 19,980 | 90,993 |
| Comprehensive loss | | | | | | | | |
| Loss and total comprehensive loss for the period | - | - | - | (43) | (7,456) | (7,499) | (3,737) | (11,236) |
| Total comprehensive loss | - | - | - | (43) | (7,456) | (7,499) | (3,737) | (11,236) |
| Transaction with owners | | | | | | | | |
| Capital contribution from non-controlling shareholders of subsidiaries | - | - | - | - | - | - | 1,520 | 1,520 |
| Total transaction with owners | - | - | - | - | - | - | 1,520 | 1,520 |
| Balance at 30 June 2018 | 32 | 86,773 | (2,983) | (45) | (20,263) | 63,514 | 17,763 | 81,277 |
| (Unaudited) | | | | | | | | |
| As at 1 January 2019 | 32 | 86,773 | (2,983) | (427) | (18,427) | 64,968 | 16,989 | 81,957 |
| Comprehensive loss | | | | | | | | |
| Loss and total comprehensive loss for the period | - | - | - | - | (1,891) | (1,891) | (226) | (2,117) |
| Other comprehensive loss | | | | | | | | |
| Currency translation differences | - | - | - | (3) | - | (3) | - | (3) |
| Total comprehensive loss | - | - | - | (3) | (1,891) | (1,894) | (226) | (2,120) |
| Transaction with owners | | | | | | | | |
| Capital contribution from non-controlling shareholders of subsidiaries (Note (a)) | - | - | - | - | - | - | 2,900 | 2,900 |
| Share issued pursuant to the Placing (Note 13(a)) | 6 | 15,034 | - | - | - | 15,040 | - | 15,040 |
| Transaction costs attributable to the Placing | - | (827) | - | - | - | (827) | - | (827) |
| Total transaction with owners | 6 | 14,207 | - | - | - | 14,213 | 2,900 | 17,113 |
| Balance at 30 June 2019 | 38 | 100,980 | (2,983) | (430) | (20,318) | 77,287 | 19,663 | 96,950 |

(a) The amount represents capital contribution from non-controlling shareholder of a subsidiary by additional loan from shareholder of HK\$2,900,000.

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2019

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Cash flow from operating activities | | |
| Loss before income tax | (882) | (10,126) |
| Adjustment for: | | |
| — Depreciation and amortisation | 37,401 | 37,864 |
| — Loss on disposal of property, plant and equipment | — | 221 |
| — Share of loss of associates | 268 | 800 |
| — Finance income | (35) | (25) |
| — Finance cost | 2,437 | 3,299 |
| | 39,189 | 32,033 |
| Change in working capital | | |
| Inventories | 366 | (498) |
| Trade and other receivables | (3,914) | 16,165 |
| Trade and other payables | (5,111) | 5,805 |
| Contract liabilities | 370 | 793 |
| Amount due to a non-controlling shareholder of a subsidiary | 2,900 | 1,520 |
| Amount due from a related company | (608) | (2) |
| | 33,192 | 55,816 |
| Cash generated from operations | 33,192 | 55,816 |
| Interest paid | (2,437) | (3,299) |
| Hong Kong profits tax refunded/(paid) | 1,249 | (191) |
| | 32,004 | 52,326 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (5,572) | (36,838) |
| Capital injection in associates | — | (4,637) |
| Interest received | 35 | 15 |
| | (5,537) | (41,460) |
| Net cash used in investing activities | (5,537) | (41,460) |
| Cash flows from financing activities | | |
| Repayment of bank borrowings | (4,291) | (4,169) |
| Payment of lease liabilities | (29,349) | (24,898) |
| Proceeds from Placing | 15,040 | — |
| Transaction cost arising from Placing | (827) | — |
| Addition in pledged bank deposit | (215) | — |
| | (19,642) | (29,067) |
| Net cash used in financing activities | (19,642) | (29,067) |
| Net increase/(decrease) in cash and cash equivalents | 6,825 | (18,201) |
| Cash and cash equivalents at beginning of period | 41,379 | 56,424 |
| Effect of foreign exchange rate changes | (3) | — |
| | 48,201 | 38,223 |
| Cash and cash equivalents at end of period | 48,201 | 38,223 |

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

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 702, 7/F, 101 King's Road, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in operation of restaurants and catering management and consultancy services.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 (the "**2019 Interim Financial Statements**") have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of GEM Listing Rules.

The 2019 Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The 2019 Interim Financial Statements are presented in thousands of Hong Kong dollars ("**HK\$'000**"), unless otherwise stated.

Except as described below, the accounting policies and methods of computation used in the preparation of the 2019 Interim Financial Statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2018.

In current period, the Group has applied the following new or revised Hong Kong Financial Reporting Standards ("**new HKFRSs**") issued by the HKICPA which are or have become effective.

| | |
|----------------------|--|
| HKAS 12 (Amendment) | Income Taxes |
| HKAS 19 (Amendment) | Plan Amendment, Curtailment or Settlement |
| HKAS 23 (Amendment) | Borrowing Costs |
| HKAS 28 (Amendment) | Long-term Interests in Associates and Joint Ventures |
| HKFRS 3 (Amendment) | Business Combinations |
| HKFRS 9 (Amendment) | Prepayment Features with Negative Compensation |
| HKFRS 11 (Amendment) | Joint Arrangements |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |

The application of these new HKFRSs in the current period has had no material effective on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in those condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

3 SEGMENT INFORMATION

The Chief operating decision-maker (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, 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.

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

Segment revenue and result

Six months ended 30 June 2019

| | Operation of restaurants HK\$'000 (Unaudited) | Catering management and consultancy services HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|---|--|---|----------------------------------|
| Total segment revenue | 176,016 | 9,818 | 185,834 |
| Inter-segment revenue | – | (8,892) | (8,892) |
| Revenue | 176,016 | 926 | 176,942 |
| Timing of revenue recognition | | | |
| Over time | 176,016 | 926 | 176,942 |
| Result | | | |
| Segment profit | 8,400 | 666 | 9,066 |
| Other losses, net | | | (68) |
| Unallocated staff costs | | | (7,588) |
| Unallocated depreciation and amortisation | | | (786) |
| Unallocated utilities and consumables | | | (9) |
| Unallocated other expenses | | | (1,229) |
| Share of losses of associates | | | (268) |
| Loss before income tax | | | (882) |

Notes to the Condensed Consolidated Financial Statements

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2018

| | Operation of restaurants HK\$'000 (Unaudited) | Catering management and consultancy services HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|--|--|---|----------------------------------|
| Total segment revenue | 164,583 | 11,222 | 175,805 |
| Inter-segment revenue | – | (8,304) | (8,304) |
| Revenue | 164,583 | 2,918 | 167,501 |
| Timing of revenue recognition Over time | 164,583 | 2,918 | 167,501 |
| Result | | | |
| Segment (loss)/profit | (2,256) | 2,510 | 254 |
| Other losses, net | | | (69) |
| Unallocated staff costs | | | (8,113) |
| Unallocated depreciation and amortisation | | | (480) |
| Unallocated utilities and consumables | | | (16) |
| Unallocated other expenses | | | (859) |
| Share of losses of associates | | | (800) |
| Loss before income tax | | | (10,083) |

Notes to the Condensed Consolidated Financial Statements

3 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

At 30 June 2019

| | Operation of restaurants HK\$'000 (Unaudited) | Catering management and consultancy services HK\$'000 (Unaudited) | Elimination HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|--|--|---|--|----------------------------------|
| Segment assets | 331,671 | 67,718 | (108,849) | 290,540 |
| Elimination of inter-segment receivables | (57,066) | (51,783) | 108,849 | – |
| | 274,605 | 15,935 | – | 290,540 |
| Segment liabilities | 244,698 | 57,741 | (108,849) | 193,590 |
| Elimination of inter-segment payables | (51,783) | (57,066) | 108,849 | – |
| | 192,915 | 675 | – | 193,590 |

At 31 December 2018

| | Operation of restaurants HK\$'000 (audited) | Catering management and consultancy services HK\$'000 (audited) | Elimination HK\$'000 (audited) | Total HK\$'000 (audited) |
|--|--|---|--------------------------------------|--------------------------------|
| Segment assets | 318,768 | 72,895 | (110,720) | 280,943 |
| Elimination of inter-segment receivables | (59,969) | (50,751) | 110,720 | – |
| | 258,799 | 22,144 | – | 280,943 |
| Segment liabilities | 244,486 | 65,220 | (110,720) | 198,986 |
| Elimination of inter-segment payables | (50,751) | (59,969) | 110,720 | – |
| | 193,735 | 5,251 | – | 198,986 |

Notes to the Condensed Consolidated Financial Statements

4 REVENUE

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

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Operation of restaurants | 89,584 | 89,615 | 176,016 | 164,583 |
| Catering management and consultancy services | 804 | 2,268 | 926 | 2,918 |
| | 90,388 | 91,883 | 176,942 | 167,501 |

5 FINANCE COSTS

| | For the three months ended 30 June | | For the six months ended 30 June | |
|--|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Interest expenses on bank borrowings | 243 | 292 | 497 | 596 |
| Interest expenses on lease liabilities | 934 | 1,302 | 1,940 | 2,703 |
| | 1,177 | 1,594 | 2,437 | 3,299 |

6 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the six months ended 30 June 2019.

7 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2019.

Notes to the Condensed Consolidated Financial Statements

8 EARNINGS/(LOSSES) PER SHARE

(a) Basic

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

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|---------------------|-------------------------------------|---------------------|
| | 2019 (Unaudited) | 2018 (Unaudited) | 2019 (Unaudited) | 2018 (Unaudited) |
| Profit/(loss) attributable to owners of the company (HK\$'000) | 281 | (444) | (1,891) | (7,456) |
| Weighted average number of ordinary shares in issues (in thousands) | 330,961 | 320,000 | 330,961 | 320,000 |
| Basic earnings/(losses) per share (HK cents) | 0.08 | (0.14) | (0.57) | (2.33) |

(b) Diluted

Diluted earnings/(losses) per share for the three months and six months ended 30 June 2019 and 2018 were the same as the basic losses per share as there were no potential dilutive ordinary shares.

Notes to the Condensed Consolidated Financial Statements

9 PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets HK\$'000 | Leasehold improvements HK\$'000 | Furniture and fixture HK\$'000 | Kitchen and operating equipment HK\$'000 | Computer equipment HK\$'000 | Motor vehicle HK\$'000 | Total HK\$'000 |
|--|---------------------------------|------------------------------------|-----------------------------------|---|--------------------------------|---------------------------|-------------------|
| At 1 January 2018 | | | | | | | |
| 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 |
| Six months ended 30 June 2018 | | | | | | | |
| Opening net book amount | 193,219 | 40,298 | 1,739 | 7,108 | 1,048 | – | 243,412 |
| Additions | – | 30,742 | 1,998 | 3,580 | 518 | – | 36,838 |
| Amendment to right-of-use asset (note) | (10,186) | – | – | – | – | – | (10,186) |
| Disposal | – | (2) | – | (13) | (6) | – | (21) |
| Depreciation | (26,403) | (9,074) | (579) | (1,420) | (281) | – | (37,757) |
| Closing net book amount | 156,630 | 61,964 | 3,158 | 9,255 | 1,279 | – | 232,286 |
| At 30 June 2018 | | | | | | | |
| Cost | 293,072 | 104,496 | 7,156 | 16,871 | 2,371 | – | 423,966 |
| Accumulated depreciation | (136,442) | (42,532) | (3,998) | (7,616) | (1,092) | – | (191,680) |
| Net book amount | 156,630 | 61,964 | 3,158 | 9,255 | 1,279 | – | 232,286 |
| At 1 January 2019 | | | | | | | |
| Cost | 292,910 | 106,354 | 7,565 | 16,602 | 2,461 | 156 | 426,048 |
| Accumulated depreciation | (159,641) | (51,538) | (4,499) | (8,973) | (1,387) | (13) | (226,051) |
| Net book amount | 133,269 | 54,816 | 3,066 | 7,629 | 1,074 | 143 | 199,997 |
| Six months ended 30 June 2019 | | | | | | | |
| Opening net book amount | 133,269 | 54,816 | 3,066 | 7,629 | 1,074 | 143 | 199,997 |
| Additions | 32,093 | 4,880 | 171 | 369 | 151 | – | 37,664 |
| Depreciation | (26,546) | (8,697) | (429) | (1,295) | (310) | (16) | (37,293) |
| Closing net book amount | 138,816 | 50,999 | 2,808 | 6,703 | 915 | 127 | 200,368 |
| At 30 June 2019 | | | | | | | |
| Cost | 325,003 | 111,235 | 7,736 | 16,971 | 2,612 | 156 | 463,713 |
| Accumulated depreciation | (186,187) | (60,236) | (4,928) | (10,268) | (1,697) | (29) | (263,345) |
| Net book amount | 138,816 | 50,999 | 2,808 | 6,703 | 915 | 127 | 200,368 |

Note: The amount represents the premeasurement of carrying amount to reflect a lease modification.

Notes to the Condensed Consolidated Financial Statements

10 INTANGIBLE ASSETS

| | Total HK\$'000 |
|--|--------------------------|
| At 31 December 2018 (audited) | |
| Cost | 2,112 |
| Accumulated amortisation | (480) |
| Net book amount | 1,632 |
| Six months ended 30 June 2019 (Unaudited) | |
| Opening net book amount | 1,632 |
| Amortisation charges | (108) |
| Net book amount | 1,524 |
| At 30 June 2019 (unaudited) | |
| Cost | 2,112 |
| Accumulated amortisation and impairment | (588) |
| Net book amount | 1,524 |

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.

Notes to the Condensed Consolidated Financial Statements

11 INTEREST IN ASSOCIATES

| | At 30 June 2019 HK\$'000 (Unaudited) | At 31 December 2018 HK\$'000 (Audited) |
|--------------------------|--|--|
| Investment in associates | 2,849 | 3,117 |

Movement of interest in associates during the period ended 30 June 2019 and 31 December 2018 are analysed as below:

| | At 30 June 2019 HK\$'000 (Unaudited) | At 31 December 2018 HK\$'000 (Audited) |
|--------------------------------------|--|--|
| As at 1 January | 3,117 | 28 |
| Additions | – | 4,638 |
| Share of losses of associates | (268) | (1,170) |
| Currency translation difference, net | – | (379) |
| | 2,849 | 3,117 |

12 TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date, is as follows:

| | At 30 June 2019 HK\$'000 (Unaudited) | At 31 December 2018 HK\$'000 (Audited) |
|---------------|--|--|
| 1 to 30 days | 3,959 | 3,150 |
| 31 to 60 days | 412 | 119 |
| 61 to 90 days | 304 | 100 |
| Over 90 days | 1,296 | 1,486 |
| | 5,971 | 4,855 |

Notes to the Condensed Consolidated Financial Statements

13 SHARE CAPITAL

| | Number of shares of the company | Share capital HK\$'000 | Share premium HK\$'000 |
|---|---------------------------------------|---------------------------|------------------------------|
| Authorised: | | | |
| Ordinary share capital of HK\$0.0001 each as at 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019 | 3,800,000,000 | 380 | – |
| Issued and fully paid: | | | |
| At 1 January 2018, 30 June 2018 and 1 January 2019 | 320,000,000 | 32 | 86,773 |
| Shares issued pursuant to the Placing (Note (a)) | 64,000,000 | 6 | 15,034 |
| Transaction costs directly attributable to the Placing (Note (a)) | – | – | (827) |
| At 30 June 2019 | 384,000,000 | 38 | 100,980 |

Note:

- (a) On 15 May 2019, the Company entered into a placing agreement with the placing agents, pursuant to which, the placing agents agreed to place up to 64,000,000 placing shares at the placing price of HK\$0.235 per placing share for an aggregated consideration of HK\$15,040,000 upon the completion of placing (the "Placing"). The placing shares were allotted and issued pursuant to the general mandate granted to the Directors at the Annual General Meeting in 2018. These shares rank *pari passu* in all respects with the shares in issue. The placing of 64,000,000 placing shares was completed on 30 May 2019. The transaction cost directly attributable to placing of shares amounting HK\$827,000 was treated as a deduction from share premium.

14 TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

| | At 30 June 2019 HK\$'000 (Unaudited) | At 31 December 2018 HK\$'000 (Audited) |
|---------------|--|--|
| 1 to 30 days | 7,350 | 8,072 |
| 31 to 60 days | 6,521 | 6,465 |
| 61 to 90 days | – | 14 |
| Over 90 days | – | 3 |
| | 13,871 | 14,554 |

Notes to the Condensed Consolidated Financial Statements

15 BANK BORROWINGS

| | At 30 June 2019 HK\$'000 (Unaudited) | At 31 December 2018 HK\$'000 (Audited) |
|--|--|--|
| Bank borrowings with repayable on demand | 24,939 | 29,230 |

As at 30 June 2019, the Group's bank borrowings were secured by corporate guarantee given by the Company (31 December 2018: same) and pledged bank deposits of HK\$11,058,000 (31 December 2018: HK\$11,039,000).

The weighted average effective interest rates of the bank borrowings as at 30 June 2019 was 4.09% per annum (31 December 2018: 3.68% per annum).

16 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following transactions with related parties:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Purchases of property, plant and equipment from related companies (Note (a)) | | |
| — Steve Leung Designers Limited | 300 | 2,322 |
| — Tino Kwan Lighting Consultants Limited | 45 | 66 |
| | 345 | 2,388 |
| Lease payment (Note (b)) | | |
| — Perfect Win Properties Limited | 4,835 | 4,916 |
| — Barrowgate Limited | 6,696 | 6,656 |
| | 11,531 | 11,572 |

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

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 six months ended 30 June 2019, the Group had been principally engaged in operating full services 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 restaurant management and consultancy services in Hong Kong and the PRC.

BUSINESS REVIEW

Hong Kong

As at 30 June 2019, the Group had a total of twelve restaurants under five self-owned brands in Hong Kong, namely, Ta-ke, An Nam (including its junior brand, Petit An Nam), Modern Shanghai, 10 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 six months ended 30 June 2019 (the “**Review Period**”), our Mango Tree (Kowloon) Restaurant has temporarily closed for approximately two weeks for renovation so as to bring a fresh look to the customers after operating in Elements for over six years. None of our restaurants had undergone significant renovation and we did not close any restaurant.

As disclosed in the announcement of the Company dated 20 June 2019 (the “**Announcement**”), the Group has entered into a lease agreement to lease a premises in Olympian City 3 for the opening of a new restaurant serving Huaiyang (淮陽)/Shanghainese cuisine under the trade name of the “Modern Shanghai”. The new restaurant is planning to be opened in late September/early October of this year.

The People’s Republic of China (“PRC”)

As at 30 June 2019, the Group has a minority stake of 24.9% in each of the respective operating companies of the two invested restaurants in Guangzhou, namely as Guangzhou Mango Tree Food and Beverage Co. Ltd (廣州芒果樹餐飲有限公司) and Guangzhou Ten Shanghai Food and Beverage Co. Ltd (廣州十里弄堂餐飲有限公司). Both restaurants commenced their operations on 18 May 2018. We hold a minority stake of 24.9% in each of the respective operating companies of the restaurants. We also provide restaurant management consultancy services to these two restaurants.

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. However, the Group will be cautious in running and further expanding our business by exercising due care and examining adequate opportunities and planning for the opening and investing in new restaurants.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the Review Period, approximately 99.5% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.5% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 June 2019, the Group was operating twelve (2018: twelve) restaurants, of which no (2018: one) restaurant was newly opened, no (2018: one) restaurant was relocated and renamed and no (2018: no) restaurant was closed down during the Review Period in Hong Kong.

The revenue of the Group increased by approximately 5.6% from approximately HK\$167.5 million for the six months ended 30 June 2018 to approximately HK\$176.9 million for the six months ended 30 June 2019. The increase in revenue in comparison was principally due to the increased number of restaurants fully in operation during the entire Review Period as compared to the corresponding period in 2018 netting off by a restaurant temporarily closed for two weeks for renovation.

The Group served mainly five different cuisines during the Review Period. 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 periods indicated:

| | For the six months ended 30 June | | | |
|--------------|----------------------------------|------------------------------|---------------------|------------------------------|
| | 2019 | | 2018 | |
| | Revenue HK\$'000 | % of total Revenue (%) | Revenue HK\$'000 | % of total Revenue (%) |
| Vietnamese | 37,373 | 21.2 | 39,124 | 23.8 |
| Thai | 37,515 | 21.3 | 40,453 | 24.6 |
| Japanese | 44,774 | 25.5 | 36,276 | 22.0 |
| Shanghainese | 36,489 | 20.7 | 29,206 | 17.7 |
| Italian | 19,865 | 11.3 | 19,524 | 11.9 |
| Total | 176,016 | 100.0% | 164,583 | 100.0% |

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK\$1.7 million, or approximately 4.3%, from approximately HK\$39.1 million for the six months ended 30 June 2018 to approximately HK\$37.4 million for the six months ended 30 June 2019. Such decrease was due to the general slow down of the economy and the result from the keen competition of increased number of competitive restaurants.

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants decreased by approximately HK\$3.0 million, or approximately 7.4%, from approximately HK\$40.5 million for the six months ended 30 June 2018 to approximately HK\$37.5 million for the six months ended 30 June 2019. Such decrease was mainly due to the general slowdown of the economy and the result from the keen competition of increased number of competitive restaurants. In addition, one of our Thai-style restaurants was temporarily closed for two weeks for renovation.

Management Discussion and Analysis

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK\$8.5 million, or approximately 23.4%, from approximately HK\$36.3 million for the six months ended 30 June 2018 to approximately HK\$44.8 million for the six months ended 30 June 2019. Such increase was mainly resulted from the differences in the aggregate contribution by the Ta-ke Japanese Restaurant (“**Ta-ke**”) which fully operated for six months in 2019 as compared to the corresponding period in 2018 in which it only operated for three months and a few days.

Shanghainese-style restaurant

The revenue generated from operation of Shanghainese-style restaurant increased by approximately HK\$7.3 million, or approximately 25.0%, from approximately HK\$29.2 million for the six months ended 30 June 2018 to approximately HK\$36.5 million for the six months ended 30 June 2019. Such increase was mainly contributed by the revenue derived from 10 Shanghai Restaurant, which was opened on 28 January 2018 and operated for approximately five months in the first half of 2018 as compared to its operation for the entire six months in the corresponding period in 2019 with substantially improved performance after the continuous effort by the management team since its operation.

Italian-style restaurants

The revenue generated from operation of Italian-style restaurants increased by approximately HK\$0.4 million, or approximately 2.1%, from approximately HK\$19.5 million for the six months ended 30 June 2018 to approximately HK\$19.9 million for the six months ended 30 June 2019. Such increase was attributable to the increased acceptance by our customers in 2019.

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\$44.7 million and HK\$42.8 million for each of six months ended 30 June 2019 and 2018, respectively, representing approximately 25.4% and 26.0% of the Group’s total revenue generated from operation of restaurants for the corresponding period. Our management has been very conscious in striking the balance between food cost and food quality. Despite the continuous expansion of our restaurant portfolio and revenue, we have been able to maintain a relatively stable food cost as a percentage of revenue as we carried out continuous review and monitor of our costs, recipes, menus and customers feedbacks.

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\$60.3 million for the six months ended 30 June 2018 to approximately HK\$62.6 million for the six months ended 30 June 2019, representing an increase of approximately 3.8% in comparison. Such increase was mainly because the full team was in operation for all our twelve restaurants during the Review Period as compared with a slightly smaller team as a result of certain of our new restaurants which were opened and operated for a shorter term during the corresponding period in 2018.

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.

Management Discussion and Analysis

Rental expenses

The rental expenses for the six months ended 30 June 2019 amounted to approximately HK\$3.9 million, representing a slightly decrease of approximately 7.1% as compared with that of the six months ended 30 June 2018 which amounted to approximately HK\$4.2 million. Such decrease was mainly due to the decrease in turnover rent as a result of the decrease in revenue for certain of our restaurants during the Review Period.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the six months ended 30 June 2019 and 2018, the total utility amounted to approximately HK\$4.7 million and HK\$4.7 million, respectively.

Other operating expenses

The other operating expenses represent mainly expenses incurred for our operations, including cleaning expenses, consumables stores, transportation and travelling, credit card commission, entertainment, repair and maintenance, insurance, legal and professional fee and marketing and promotion expenses.

The other operating expenses decreased from approximately HK\$21.0 million for the six months ended 30 June 2018 to approximately HK\$19.3 million for the six months ended 30 June 2019, representing a decrease of approximately 8.1%. The decrease was mainly attributable to the pre-opening expenses which were incurred for the restaurants opened in 2018.

Depreciation, amortization and impairment

Depreciation, amortization and impairment was approximately HK\$37.4 million and HK\$37.9 million for the six months ended 30 June 2019 and 2018, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment. The slight decrease in such expense was mainly due to certain restaurants' property, plant and equipment have been fully depreciated during the Review Period.

Income tax expenses

The income tax expenses increased from approximately HK\$1.1 million for six months ended 30 June 2018 to approximately HK\$1.2 million for the six months ended 30 June 2019.

Finance costs

The Group's finance costs decreased from approximately HK\$3.3 million for the six months ended 30 June 2018 to approximately HK\$2.4 million for the six months ended 30 June 2019 principally due to the reduction of the interest expenses on lease liabilities.

Loss for the period

The Group recorded a loss of approximately HK\$2.1 million for the six months ended 30 June 2019 as compared to a loss of approximately HK\$11.2 million for the corresponding period in 2018. The loss was mainly attributable to the one-off pre-opening expenses and the operating losses incurred by the new restaurants during their initial stage of operation in 2018 but not incurred during the Review Period.

Management Discussion and Analysis

Financial Resources and Liquidity

Capital structure

The change in the capital structure of the Group from 31 December 2018 to 30 June 2019 is set out in note 13 in this report.

Cash position

As at 30 June 2019, the cash and cash equivalents of the Group amounted to approximately HK\$48.2 million (31 December 2018: approximately HK\$41.4 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 16.4% as compared to that at 31 December 2018. The increase of the cash balance was mainly due to the proceeds from Placing netting off by the repayment of bank borrowing and renovation cost incurred for Mango Tree (Kowloon) Restaurant.

Borrowings

As at 30 June 2019, the total borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$24.9 million (31 December 2018: approximately HK\$29.2 million) that bears the weighted average of floating interest rates of approximately 4.09% per annum as at 30 June 2019. No financial instrument was being used for interest rate hedging purpose.

Save as disclosed, the Group did not have other borrowings for the period ended 30 June 2019.

Pledge of assets

As at 30 June 2019, a total of HK\$13.1 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 (31 December 2018: HK\$12.9 million).

Gearing ratio

As at 30 June 2019, the gearing ratio of the Group was approximately 25.7% (2018: approximately 35.7%). The decrease was attributable to the repayment of bank borrowings and effect after the Placing during the period ended 30 June 2019. 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.

Material Acquisitions/Disposals and Significant Investments

The Group did not have any material acquisition nor disposal of subsidiaries, associates and joint venture companies during the Review Period.

Management Discussion and Analysis

Capital commitments

As of 30 June 2019, the Group's contracted capital expenditure but not recognised as liabilities were approximately HK\$108,000 for opening of a new restaurant (31 December 2018: nil).

As at 30 June 2019, the Group had committed to lease a premises under non-cancellable operating lease expiring within five years. The commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follow:

| | At 30 June 2019 HK\$'000 (Unaudited) | At 31 December 2018 HK\$'000 (Audited) |
|--|--|--|
| Within one year | 4,208 | – |
| Later than one year but not later than 5 years | 21,563 | – |
| | 25,771 | – |

Information on Employees

The Group has 330 full-time employees and 76 part-time employees respectively as at 30 June 2019. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2018.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2019.

Use of net proceeds from the Listing

The Company was successfully listed on 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\$1.1 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.

Management Discussion and Analysis

However, given we have settled most of the setting up and pre-opening costs of Paper Moon Restaurant, the Board has decided to re-designate the proceeds allocated in (i) above to (iv) above.

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 since the Listing Date to 30 June 2019:

| | Planned use of proceeds from the Listing Date to 30 June 2019 | Actual use of proceeds from the Listing Date to 30 June 2019 | Total remaining use of proceeds as at 30 June 2019 | Transfer of the unutilized balance from use of proceeds to a new restaurant opening project | Revised total remaining use of proceeds as at 30 June 2019 |
|---|---|--|--|---|--|
| 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\$3.0 million | HK\$0.7 million | HK\$2.3 million (Note 2) | (HK\$2.3 million) (Note 2) | – |
| (b) Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong | HK\$8.2 million | HK\$8.2 million | – | – | – |
| (c) Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong | HK\$11.3 million | HK\$11.3 million | – | – | – |
| (d) Open a restaurant under the Hokkaido brand in Hong Kong (Note (1)) | HK\$1.1 million | – | HK\$1.1 million | HK\$2.3 million (Note 2) | HK\$3.4 million |
| 2. Further develop our restaurant preopening consultancy and management consultancy services in the PRC | HK\$0.7 million | HK\$0.7 million | – | – | – |
| Total | HK\$24.3 million | HK\$20.9 million | HK\$3.4 million | – | HK\$3.4 million |

Notes:

- The Group is still in the process of identifying desirable location to open the restaurant in the year of 2019.
- The original provision for funding this project has included certain amount which has been satisfied by our internal funding in the same amount immediately before we have obtained the listing status and obtained the funding from the listing. The Group has settled most of the setting up and pre-opening costs of Paper Moon Restaurant and therefore decided to re-designate unutilised amount of approximately HK\$2.3 million to partially fund the proposed new restaurant as mentioned in Note 1.

Management Discussion and Analysis

Use of proceeds from the placing of shares

The Group raised its fund by way of a placing of 64,000,000 shares of the Company at the placing price of HK\$0.235 per share on 30 May 2019 (the “Placing”).

Net proceeds from the Placing amounted to approximately HK\$14.1 million (after deducting the placing commission and other expenses), the net proceeds were deposited in licensed banks in Hong Kong. The net proceeds from the Placing will be utilised as follows:

| | Net proceeds HK\$ | Approximate amount of net amount of net proceeds utilized up to 30 June 2019 HK\$ | Approximate amount of net proceeds unutilized up to 30 June 2019 HK\$ |
|---|----------------------|---|---|
| (1) To open a new restaurant serving Huaiyang (淮陽)/ Shanghainese cuisine in Olympian City 3 | 8.5 million | 1.3 million | 7.2 million |
| (2) To invest in a restaurant by a minority stake in the Guangdong- Hong Kong-Macao Greater Bay Area | 3.0 million | – | 3.0 million |
| (3) General working capital (Note (1)) | 2.6 million | 2.6 million | – |
| | <u>14.1 million</u> | <u>3.9 million</u> | <u>10.2 million</u> |

Note:

- (1) The net proceeds from the Placing which were originally planned for use as the general working capital amounted to HK\$2.6 million have been fully utilised as the payment for the settlement of part of the renovation cost in respect of Mango Tree (Kowloon) Restaurant prior to the commencement of the new lease in September 2019.

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 period ended 30 June 2019, the Group generated 99.5% 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 and some recent social uncertainties 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 to HK\$37.5 per hour with effect from 1 May 2019.
3. As at 30 June 2019, 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 the Announcement, in the 2018 annual report and in this interim report, the Group did not have other plans for material investments and capital assets as of the date of this report.

Management Discussion and Analysis

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 5 December 2017 (being the date on which the Company listed on GEM of the Stock Exchange) to the date of this report is set out below:

| | Business plan as stated in the Prospectus | Actual business progress up to 30 June 2019 |
|----|--|---|
| 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 |
| | | Settled the remaining costs for Paper Moon Restaurant |
| | | 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 has opened in March 2018 |
| | Setting up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou | Guangzhou Ten Shanghai Food and Beverage Co. Ltd.(十里弄堂) was set up and opened in Guangzhou during May 2018 and the Group is still in the process of identifying a desirable location to open the second restaurant |
| | Setting up a restaurant under the Mango Tree brand and setting up a restaurant under the Mango Tree Café brand in shopping mall in Guangzhou | Guangzhou Mango Tree Food and Beverage Co. Ltd.(芒果樹泰國餐廳) was set up and opened in Guangzhou during May 2018 for the Mango Tree brand and the Group has identified desirable location to open the second restaurant for the Mango Tree Café brand, the restaurant is planned to be opened in late September/early October of this year |
| | To open a restaurant under the Hokkaidon brand in a shopping mall in Hong Kong | The Group is still in the process of identifying a desirable location to open the restaurant |
| | | |
| 2. | Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC | Identifying new sources of PRC clients |
| | | Negotiating for the 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 these objectives by (i) increasing sales volume; (ii) optimising restaurant-level staffing; and (iii) maximising the utilisation of food ingredients.

Management Discussion and Analysis

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 and new brands. No restaurant has been opened yet in Hong Kong during the Review Period. However, we are preparing and planning to open a new restaurant serving Huaiyang (淮陽)/Shanghainese cuisine under the trade name of the “Modern Shanghai” in Olympic City 3 in late September/early October of this year. We are still in the process of identifying the suitable locations for the other new restaurants which are scheduled to be opened. For restaurant to be opened in the PRC, no new restaurant has been opened yet during the Review Period. We intend to hold a minority stake of approximately 15%–25% in the operating company of one new restaurant planned to be opened in late September/early October of this year and we will manage this restaurant.

Meanwhile, the management of the Company will, from time to time, assess and evaluate the need for renovating and/or refurbishing existing restaurants in both financial and operational perspectives. Depending on the scale of renovation and/or refurbishment, our restaurants might be temporarily closed for business during such period, while the management of the Company considers that such temporarily closure will not bring material adverse impact to the Group as a whole. During the Review Period, Mango Tree (Kowloon) Restaurant had temporarily closed for approximately two weeks for renovation so as to bring a fresh look to the customers after operating in Elements for over six years.

We will continue to review the operation and evaluate the performance of our existing restaurants, and formulate adequate strategies for each restaurant in response to changes in the industry with a view to maximizing the return to our investors. During the Review Period, we have re-positioned the restaurant and re-branded it to Mango Tree brand to turn around the drop in revenue.

However, the Group noted the recent slow down in economic growth in Hong Kong, and the consumption behavior of our potential customers might inadvertently be affected. We will keep close monitor on the changes in economic and market conditions and formulate adequate plans to mitigate the potential adverse impact to our financial performance.

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 have established 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 endeavour 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**”).

Corporate Governance and Other Information

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

As at 30 June 2019, 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 | 16.67% |
| Kwok Chi Po ("Mr. Kwok") | Interest in controlled corporation (Note 2) | 15,362,400 | Long | 4.00% |
| Leung Chi Tien Steve ("Mr. Leung") | Interest in controlled corporation (Note 3) | 90,256,800 | Long | 23.50% |

Notes:

- (1) Among the 64,000,000 shares, 60,000,000 shares are held by Perfect Emperor Limited which is wholly owned by Mr. Kwan. As such, Mr. Kwan is deemed to be interested in all the Shares held by Perfect Emperor pursuant to Part XV of the SFO. The remaining 4,000,000 shares are beneficially held by Mr. Kwan.
- (2) The 15,362,400 shares are held by P.S Hospitality Limited which is wholly owned by Mr. Kwok. As such, Mr. Kwok is 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 are held by Sino Explorer Limited ("Sino Explorer") and 22,680,000 shares are 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 is 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 30 June 2019, 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.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Review 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 30 June 2019, 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 fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as 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 | 16.67% |
| 1957 & Co. Limited | Interest in controlled corporation (Note 2) | 90,256,800 | Long | 23.50% |
| All Victory Global Limited | Beneficial owner (Note 2) | 22,680,000 | Long | 5.91% |
| Sino Explorer Limited | Beneficial owner (Note 2) | 67,576,800 | Long | 17.60% |
| Chan Siu Wan | Interest of spouse (Note 3) | 90,256,800 | Long | 23.50% |
| Leung Shuk Yee Winnie ("Ms. Leung") | Interest in controlled corporation (Notes 4 & 5) | 19,764,000 | Long | 5.15% |
| Pearl Global Development Limited | Beneficial owner (Note 4) | 19,764,000 | Long | 5.15% |
| Perfect Emperor Limited | Beneficial owner | 60,000,000 | Long | 15.63% |
| Poon Hok Ming ("Mr. Poon") | Interest of spouse (Note 5) | 19,764,000 | Long | 5.15% |

Corporate Governance and Other Information

Notes:

- (1) Ms. Kwan Wai Ling Alicia is the spouse of Mr. Kwan and is deemed to be interested in the same number of shares held by Mr. Kwan.
- (2) 1957 & Co. Limited holds 100% of equity interest of Sino Explorer and All Victory. Accordingly, 1957 & Co. Limited is 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 is deemed to be interested in the same number of shares held by Mr. Leung.
- (4) Ms. Leung holds 99.99% of equity interest of Pearl Global Development Limited. Therefore, she is 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 is deemed to be interested in the same number of shares held by Ms. Leung accordingly.

Save as disclosed above, as at 30 June 2019, 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 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 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 8 years and 3 months.

Up to 30 June 2019, no share option has been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Review 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.

CORPORATE GOVERNANCE

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 Review Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Corporate Governance and Other Information

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).

CHANGE TO DIRECTORS' INFORMATION

Mr. Ng Wai Hung, independent non-executive Director, has been appointed as an independent non-executive director of Winshine Science Co. Limited (Stock code: 209, its shares are listed on the Main Board of the Stock Exchange) with effect from 21 May 2019.

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 Review 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.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

Pursuant to the requirements of the CG Code and the GEM Listing Rules, the Company has established an audit committee (the "**Audit Committee**") that comprises three independent non-executive Directors, namely Mr. How Sze Ming (Chairman), Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason.

The Audit Committee has reviewed the interim results for the six months ended 30 June 2019. The Audit Committee is of the view that the condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, sufficient disclosures have already been made.

The condensed consolidated financial results for the six months ended 30 June 2019 are unaudited and have not been audited or reviewed by the Company's auditors.

Corporate Governance and Other Information

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2019 and up to the date of this report.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2019.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2019.

PUBLICATION OF INTERIM REPORT

The interim report of the Company containing all the information required by the GEM Listing Rules will be despatched to the Shareholders and will also be 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.

By order of the Board of
1957 & Co. (Hospitality) Limited
Kwok Chi Po
Chief Executive Officer and Executive Director

Hong Kong, 7 August 2019

As at the date of this report, the executive Directors are Mr. Kwok Chi Po, Mr. Kwan Wing Kuen Tino, Mr. Lau Ming Fai and Mr. Leung Nicholas Nic-hang; the non-executive Director is Mr. Leung Chi Tien Steve; the independent non-executive Directors are Mr. How Sze Ming, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason.