1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8495)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF 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 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 announcement, 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2018:

- the Group recorded revenue of approximately HK$348.5 million, representing an increase of approximately 29.1% as compared to the corresponding year ended 31 December 2017;

- the two newly opened restaurants in Hong Kong, namely 10 Shanghai Restaurant and Ta-ke Japanese Restaurant had incurred an aggregated net loss of approximately HK$16.8 million (including approximately HK$6.8 million pre-opening expenses incurred) during the year (2017: pre-opening net loss of approximately HK$3.0 million);

- the Group recorded an improvement in the restaurants performance other than Ta-ke Japanese Restaurant and 10 Shanghai Restaurant, of which aggregate overall net profit contribution in 2018 amounted to approximately HK$8.7 million (2017: HK$7.3 million), an increase in net profit contribution amounted to HK$1.4 million was recorded; and

- the Group recorded loss attributable to the owners of the Company of approximately HK$5.6 million (2017: HK$11.1 million).

RESULTS

The Directors are pleased to announce the consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**348,538**	269,992
Other gains/(losses) and income, net	*5*	**64**	(48)
Cost of inventories sold		**(88,141)**	(71,665)
Employee benefit expenses		**(121,702)**	(87,056)
Depreciation and amortisation		**(75,139)**	(56,826)
Royalty fees		**(5,250)**	(3,797)
Rental expenses		**(8,574)**	(5,274)
Utilities		**(9,425)**	(7,328)
Other operating expenses	*7*	**(40,225)**	(26,256)
Listing expenses		**–**	(15,994)
Operating profit/(loss)		**146**	(4,252)
Finance income		**53**	26
Finance costs		**(6,182)**	(4,815)
Finance costs, net	*6*	**(6,129)**	(4,789)
Share of losses of associates		**(1,170)**	(8)
Loss before income tax		**(7,153)**	(9,049)
Income tax expense	*8*	**(2,910)**	(1,724)
Loss for the year		**(10,063)**	(10,773)
(Loss)/profit for the year attributable to:			
— Owners of the company		**(5,620)**	(11,094)
— Non-controlling interests		**(4,443)**	321
		(10,063)	(10,773)
Losses per share attributable to owners of the company for the year (HK cents)			
— Basic and diluted	*10*	**(1.76)**	(4.51)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(10,063)**	(10,773)
Other comprehensive loss		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(493)**	(2)
Total comprehensive loss for the year	**(10,556)**	(10,775)
Total comprehensive (loss)/income for the year attributable to:		
— Owners of the company	**(6,045)**	(11,096)
— Non-controlling interests	**(4,511)**	321
	(10,556)	(10,775)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**199,997**	243,412
Intangible assets		**1,632**	1,848
Interest in associates		**3,117**	28
Prepayments		**–**	16,325
Deferred tax assets		**9,114**	9,113
		213,860	270,726
Current assets			
Inventories		**2,294**	1,676
Trade receivables	*11*	**4,855**	3,512
Prepayments, deposits and other receivables		**4,694**	6,038
Amounts due from a related party		**108**	80
Tax recoverable		**900**	827
Pledged bank deposits		**12,853**	12,835
Cash and cash equivalents		**41,379**	56,424
		67,083	81,392
Total assets		**280,943**	352,118
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*12*	**32**	32
Share premium	*12*	**86,773**	86,773
Capital reserve		**(2,983)**	(2,983)
Exchange reserve		**(427)**	(2)
Accumulated losses		**(18,427)**	(12,807)
		64,968	71,013
Non-controlling interest		**16,989**	19,980
Total equity		**81,957**	90,993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**86,933**	136,337
Deferred income tax liabilities		**45**	16
		86,978	136,353
Current liabilities			
Trade payables	*13*	**14,554**	13,499
Accruals and other payables		**20,366**	16,983
Lease liabilities		**43,175**	53,650
Contract liabilities		**1,681**	797
Income tax payable		**151**	2,229
Amounts due to a related party		**2,851**	–
Bank borrowings	*14*	**29,230**	37,614
		112,008	124,772
Total liabilities		**198,986**	261,125
Total equity and liabilities		**280,943**	352,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 702, 7/F, 101 King's Road, 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 Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

The Company has listed its shares on GEM of The Stock Exchange of Hong Kong Limited ("**GEM**") on 5 December 2017 (the "**Listing**").

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

(a) 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 ("**HKCO**") Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis.

(c) New standards early adopted by the Group

HKFRS 16 "Leases" ("**HKFRS 16**") is mandatorily effective for annual periods beginning on or after 1 January 2019. The Group decided to early adopt HKFRS 16. The adoption has been applied retrospectively in the financial statements throughout the years ended 31 December 2018 and 2017.

(i) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standards, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2018:

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except for the impact for HKFRS 9, the adoption of the above new standards, interpretation and amendments to standards did not have any significant financial impact on these consolidated financial statements.

(ii) New standards, interpretation and amendments to standards which are not yet effective

The followings are new standards, interpretation and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 or later periods, but have not been early adopted by the Group:

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]
HKAS 1 and HKAS 8 (Amendment)	Definition of Material[2]
HKAS 12 (Amendment)	Income Taxes[1]
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement[1]
HKAS 23 (Amendment)	Borrowing Costs[1]
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 3 (Amendment)	Business Combinations[1]
HKFRS 3 (Amendment)	Definition of a Business[2]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 11 (Amendment)	Joint Arrangements[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for the accounting period beginning on 1 January 2019
[2] Effective for the accounting period beginning on 1 January 2020
[3] Effective for the accounting period beginning on 1 January 2021
[4] Effective date to be determined

The Group will apply the above new standards, interpretation and amendments to standards when they become effective. None of the new standards, interpretation and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

(i) Going concern

The Group had current liabilities of HK$112,008,000 as at 31 December 2018 (2017: HK$124,772,000) of which HK$43,175,000 (2017: 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. In addition, bank borrowings amounting to HK$20,580,000 (2017: HK$29,222,000), which are contractually due for repayment after one year contain repayable on demand clause and are therefore classified as current liabilities in accordance with HK Interpretation 5, "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayable on Demand Clause".

Management considers that (i) the lease assets as stated above will be generating sufficient cash flows to cover the lease liabilities under normal circumstances, and (ii) it is highly unlikely that the relevant banks will exercise its discretion to demand immediate repayment and believes that such bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements, and that the current bank facilities will continue to be available for the next 12 months.

Setting aside the lease liabilities of HK$43,175,000 (2017: HK$53,650,000) and the bank borrowings due after one year but contain a repayable on demand clause of HK$20,580,000 (2017: HK$29,222,000), the Group's current assets exceeded its current liabilities by HK$18,830,000 as at 31 December 2018 (2017: HK$39,492,000). 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.

3 SEGMENT INFORMATION

The chief operating decision-maker ("**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/losses, finance income, finance costs (except the portion related to lease liabilities), 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.

Segment revenue and results

Year ended 31 December 2018

	Operation of restaurants *HK$'000*	Catering management and consultancy services *HK$'000*	Total *HK$'000*
Total segment revenue	**344,068**	**21,807**	**365,875**
Inter-segment revenue	**–**	**(17,337)**	**(17,337)**
Revenue	**344,068**	**4,470**	**348,538**
Timing of revenue recognition			
Over time	**344,068**	**4,470**	**348,538**
Result			
Segment profit	**9,834**	**3,740**	**13,574**
Other gains, net			**64**
Unallocated staff costs			**(16,086)**
Unallocated depreciation and amortisation			**(1,248)**
Unallocated utilities and consumables			**(35)**
Unallocated other expenses			**(2,252)**
Share of losses of associates			**(1,170)**
Loss before income tax			**(7,153)**

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)

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 People's Republic of China ("**PRC**"). The principal assets of the Group were also located in Hong Kong as at 31 December 2018 and 2017. Accordingly, no analysis by geographical segment is provided.

4 REVENUE

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

	2018 *HK$'000*	2017 *HK$'000*
Operation of restaurants	**344,068**	267,534
Catering management and consultancy services	**4,470**	2,458
	348,538	269,992

5 OTHER GAINS/(LOSSES) AND INCOME, NET

	2018	2017
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(278)**	(99)
Sundry income	**342**	51
	64	(48)

6 FINANCE COST, NET

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income	**53**	26
Finance cost		
Interest expenses on bank borrowings	**(1,165)**	(685)
Interest expenses on lease liabilities	**(5,017)**	(4,130)
	(6,182)	(4,815)
Finance costs, net	**(6,129)**	(4,789)

7 OTHER OPERATING EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit services	**1,200**	1,100
— Non-audit services	**218**	206
Advertising and promotion	**1,207**	674
Cleaning and laundry expenses	**12,650**	8,280
Credit card charges	**6,120**	4,348
Commission	**1,037**	691
Decoration	**712**	406
Legal and professional fees	**4,513**	1,592
Paper and related supplies	**867**	757
Printing expenses	**1,370**	1,046
Restaurant supplies	**4,133**	1,881
Repair and maintenance	**1,814**	1,454
Travelling expenses	**848**	666
Others	**3,536**	3,155
	40,225	26,256

8 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year ended 31 December 2018.

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

	2018	2017
	HK$'000	*HK$'000*
Current profits tax		
— Current income tax for the year	**3,063**	3,158
— (Over)/under-provision in prior year	**(181)**	13
Deferred tax	**28**	(1,447)
Income tax	**2,910**	1,724

9 DIVIDEND

No dividend has been paid or declared by the Company for the year.

10 LOSSES PER SHARE

(a) Basic

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

	2018	2017
Loss attributable to owners of the Company *(HK$'000)*	**(5,620)**	(11,094)
Weighted average number of ordinary shares in issue *(in thousands)*	**320,000**	245,778
Basic losses per share *(HK cents)*	**(1.76)**	(4.51)

(b) Diluted

Diluted losses per share for the years ended 31 December 2018 and 2017 were the same as the basic losses per share as there were no potential dilutive ordinary shares.

11 TRADE RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
1 to 30 days	**3,150**	3,065
31 to 60 days	**119**	167
61 to 90 days	**100**	92
Over 90 days	**1,486**	188
	4,855	3,512

12 SHARE CAPITAL AND SHARE PREMIUM

	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 31 December 2017 and 2018	3,800,000,000	380	–
Issued and fully paid:			
As at 1 January 2017	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 and 2018	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.

13 TRADE PAYABLES

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

	2018 ***HK$'000***	2017 *HK$'000*
1 to 30 days	**8,072**	7,367
31 to 60 days	**6,465**	6,039
61 to 90 days	**14**	6
Over 90 days	**3**	87
	14,554	13,499

14 BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Current		
Bank borrowings due for repayment within 1 year	**29,230**	37,614

The Group's bank borrowings as at 31 December 2018 and 2017 were all denominated in HK$.

As at 31 December 2018, the Group's bank borrowings were secured by corporate guarantee given by the Company (2017: same) and pledged bank deposits of HK$11,039,000 (2017: HK$11,021,000).

The weighted average effective interest rates of the bank borrowings as at 31 December 2018 was 3.68% per annum (2017: 3.3% per annum).

The carrying amounts of the Group's bank borrowings at 31 December 2018 and 2017 approximate their fair values as the discounting effect is insignificant.

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 2018, 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 provided 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 1 February 2019, the value of total receipts of the restaurants sector was provisionally estimated at HK$119.5 billion for the whole year of 2018, representing an increase of approximately 6.0% in value and 3.1% in volume compared with the whole year of 2017. Over the same period, the provisional estimate of the value of total purchases of restaurants increased by approximately 4.7% to approximately HK$38.0 billion.

Analysed by type of restaurant and comparing the whole year of 2018 with the whole year of 2017, total receipts of non-Chinese restaurants took the lead in growth which increased by 7.6% in value and 5.1% in volume, as compared to the increase of 4.8% in value and 2.1% in volume recorded by Chinese restaurants. Total receipts of fast food shops increased by 5.1% in value and 1.0% in volume. Total receipts of bars increased by 6.9% in value and 6.5% in volume. As for miscellaneous eating and drinking places, total receipts increased by 10.4% in value and 6.8% in volume.

Having considered the general growth across all segments of the catering industry from the results of the government statistics in 2018 and the recently announced GDP growth in Hong Kong, the Group will be cautious in running and expanding our business.

BUSINESS REVIEW

Hong Kong

During the year ended 31 December 2018, the Group has opened one new restaurant in Hong Kong namely 10 Shanghai Restaurant ("**10 Shanghai**") on 28 January 2018. Meanwhile, the Group has also closed the Sushi Ta-ke Restaurant in Cubus, Causeway Bay upon expiring of its lease in which serving Japanese cuisine, the restaurant was then relocated to Lee Garden in Causeway Bay and renamed Ta-ke Japanese Restaurant ("**Ta-ke**") on 28 March 2018, serving a more variety of quality Japanese food.

As at 31 December 2018, the Group had a total of twelve restaurants under five self-owned brands, 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 in Hong Kong.

During the year ended 31 December 2018, none of our restaurants had undergone significant renovation.

PRC

During the year 2018, the Group has opened and invested in two new restaurants (by a minority stake of approximately 24.9% in the respective holding company of each restaurant) in Guangzhou, namely Guangzhou Mango Tree Food and Beverage Co. Ltd. (芒果樹泰國餐廳) and Guangzhou Ten Shanghai Food and Beverage Co. Ltd. (十里弄堂). We also offered restaurant management and consultancy services in these two new PRC 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.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2018, approximately 98.7% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 1.3% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 31 December 2018, the Group was operating twelve (2017: eleven) restaurants, of which one (2017: three) restaurant was newly opened and one restaurant was closed down and relocated during the year ended 31 December 2018 (2017: nil). Sushi Ta-ke Restaurant was located in a commercial premise in Causeway Bay prior to the expiry of its lease term in February 2018. The restaurant was relocated to Lee Garden Two of Causeway Bay in late March 2018 and renamed as Ta-ke Japanese Restaurant.

The revenue of the Group increased by approximately 29.1% from approximately HK$270.0 million for the year ended 31 December 2017 to approximately HK$348.5 million for the year ended 31 December 2018. The increase in revenue was principally due to the expansion of our restaurant portfolio and the increase in revenue contributed by new restaurants opened in 2017.

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			
	2018		2017	
	Revenue *HK$'000*	**% of total revenue from operation of restaurant** *(%)*	Revenue *HK$'000*	% of total revenue from operation of restaurant *(%)*
Thai	**80,290**	**23.3**	76,961	28.8
Vietnamese	**78,666**	**22.9**	80,579	30.1
Japanese	**78,422**	**22.8**	70,015	26.2
Shanghainese	**65,107**	**18.9**	28,848	10.8
Italian	**41,583**	**12.1**	11,131	4.1
Total revenue from operation of restaurants in Hong Kong	**344,068**	**100.0**	267,534	100.0

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants increased by approximately HK$3.3 million, or approximately 4.3%, from approximately HK$77.0 million for the year ended 31 December 2017 to approximately HK$80.3 million for the year ended 31 December 2018. The net increase was mainly attributable to the revenue increase from the Mango Tree Café Restaurant in Yoho Mall, which operated for approximately 5 months during 2017 and for 12 months during 2018 respectively, and setting-off with the decrease in revenue of other Mango Tree branded restaurants as a result of the keen competitions with some newly opened Thai restaurants commenced their business operations in the nearby locations.

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants recorded a slight decrease of approximately HK$1.9 million, or approximately 2.4%, from approximately HK$80.6 million for the year ended 31 December 2017 to approximately HK$78.7 million for the year ended 31 December 2018. The decrease in revenue was partially contributed by Petit An Nam in Yoho Mall due to a direct competition with a newly opened Vietnamese-style restaurant in the Yoho Mall during the year and the remaining decrease in revenue was contributed by our Causeway Bay restaurant as a result of the keen competitions with some newly opened Vietnamese restaurants commenced their business operations in the nearby locations.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK$8.4 million, or approximately 12.0%, from approximately HK$70.0 million for the year ended 31 December 2017 to approximately HK$78.4 million for the year ended 31 December 2018. Such increase was mainly due to the contribution of revenue from Ta-ke which was relocated and opened in March 2018 and has a larger premises offering a wider range of Japanese cuisine.

Shanghainese-style restaurant

The revenue generated from operation of Shanghainese-style restaurant increased by approximately HK$36.3 million, or approximately 126.0%, from approximately HK$28.8 million for the year ended 31 December 2017 to approximately HK$65.1 million for the year ended 31 December 2018. Such increase was mainly contributed by the revenue derived from 10 Shanghai, which was opened on 28 January 2018, and the increase in revenue of our Modern Shanghai Restaurant located in YOHO Mall.

Italian-style restaurants

The revenue generated from operation of Italian-style restaurant increased by approximately HK$30.5 million, or approximately 274.8%, from approximately HK$11.1 million for the year ended 31 December 2017 to approximately HK$41.6 million for the year ended 31 December 2018. Such increase was attributable to the fact that Paper Moon Restaurant, which operated for only approximately 3.3 months during 2017 and for 12 months during 2018 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$71.7 million and HK$88.1 million for each of the years ended 31 December 2017 and 2018, respectively, representing approximately 26.8% and 25.6% 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 and the continuous monitoring and engineering of food menu by the management.

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$87.1 million for the year ended 31 December 2017 to approximately HK$121.7 million for the year ended 31 December 2018, representing an increase of approximately 39.7% 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 and amortisation

The Group recorded depreciation and amortisation of approximately HK$56.8 million and HK$75.1 million for the years ended 31 December 2017 and 2018, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment. The increase of depreciation and amortisation for the year ended 31 December 2018 as compared to that of the year ended 31 December 2017 was mainly due to the numbers of new restaurants increased in 2018 compared to that of 2017 and the fact that Ta-ke is relocated to Lee Garden Two from a commercial building with larger premises.

The depreciation charged on the right-of-use assets amounted to approximately HK$41.3 million and HK$52.4 million for the years ended 31 December 2017 and 2018, 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 two 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$11.7 million and HK$18.1 million, for the years ended 31 December 2017 and 2018, 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.

As the Group intends to continue to open new restaurants and expand the restaurant network, the Directors expect the property rentals and related expenses as well as the depreciation charge on the right of use assets 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 and government rates, for the year ended 31 December 2018 amounted to approximately HK$8.6 million, representing an increase of approximately 62.3% as compared with that of the year ended 31 December 2017 which amounted to approximately HK$5.3 million. Such increase was mainly due to the increased number of restaurants and certain new restaurants are operated for the full year in 2018 but not in 2017.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the years ended 31 December 2017 and 2018, the total utility expenses amounted to approximately HK$7.3 million and HK$9.4 million, respectively. Such increase was mainly due to the increased number of restaurants and certain new restaurants are operated during the full year in 2018 but not in 2017.

Income tax expenses

Given we recorded overall improvement in operating results if 10 Shanghai and Ta-ke are being excluded, the income tax expenses of the Group increased from approximately HK$1.7 million for year ended 31 December 2017 to approximately HK$2.9 million for the year ended 31 December 2018.

Finance costs

The Group's finance costs increased from approximately HK$4.8 million for the year ended 31 December 2017 to approximately HK$6.2 million for the year ended 31 December 2018 due to the increased amount of loan borrowings from the banks in the year of 2017 and the increased amount of lease liabilities arising from new restaurants are opened during the years of 2017 and 2018. There are no new or additional bank borrowings committed by the Group during the year of 2018.

Loss for the year

The Group recorded a loss of approximately HK$10.1 million for the year ended 31 December 2018 as compared to a loss of approximately HK$10.8 million for the corresponding year in 2017. The loss in 2017 was mainly attributable to the listing expenses of approximately HK$16.0 million. The loss-making position and the reason for the increase in loss during the year was mainly attributable to the large pre-opening expenses and operating losses incurred before achieving breakeven during the initial stage of business operations for the two newly opened restaurants in 2018, namely Ta-ke and 10 Shanghai. The net losses incurred by these two restaurants were approximately HK$16.8 million (including approximately HK$6.8 million pre-opening expenses incurred) during the year (2017: pre-opening net loss of approximately HK$3.0 million). Nevertheless, we recorded improvement in our restaurants other than Ta-ke and 10 Shanghai, and their overall net profit contribution in 2018 in aggregate amounted to approximately HK$8.7 million (2017: HK$7.3 million), an overall increase in the net profit contribution by our other restaurants of the Group amounted to approximately HK$1.4 million was recorded. Our Paper Moon restaurant was opened in September 2017 and has the greatest improvement in the net profit contribution in 2018.

Nevertheless, under our continuous monitoring and active management, 10 Shanghai has reached the breakeven point in late 2018 and has a significant improvement in performance. Ta-ke also recorded an improvement in its performance in December 2018 and the management expects the restaurant can also reach the breakeven point in coming year. The Company will continue to closely monitor the performances of its restaurants, formulate adequate strategies and strike a balance between improving the financial performance of the restaurants and providing decent dining experiences at reasonable prices.

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.

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 31 December 2018:

Objectives	Planned use of proceeds from the Listing Date to 31 December 2018	Actual use of proceeds from the Listing Date to 31 December 2018	Total remaining use of proceeds as at 31 December 2018	Transfer of the unutilized balance from use of proceeds to a new restaurant opening project	Revised total remaining use of proceeds as at 31 December 2018
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 pre-opening 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

(Note 1) The Group is still in the process of identifying desirable location to open the restaurant in the year of 2019.

(Note 2) 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.

The Directors will constantly evaluate the Group's business objectives 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 unutilized balances have been placed in licensed banks in Hong Kong.

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 2018, the Group generated 98.7% 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.

2. 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:

    a. 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.

    b. 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 will further increase to HK$37.5 per hour with effect from 1 May 2019.

    c. As at 31 December 2018, 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, 2017 annual report, 2018 interim report and this annual results announcement, the Group did not have other plans for material investments and capital assets as of the date of this announcement. The sources of funding are the internal resources and contribution from joint venture partner. However, the Group will continue to be cautious in further expanding our business by exercising due care and examining adequate opportunities and planning for the opening and investing in new restaurants.

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 31 December 2018 is set out below:

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2018
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 certain 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 Japanese Restaurant has opened in March 2018
	Setting up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou	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	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 is still in the process of identifying a desirable location to open the restaurant for the Mango Tree Café brand
	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

		Business plan as stated in the Prospectus	Actual business progress up to 31 December 2018
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.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

The changes in the capital structure of the Group from 31 December 2017 to 31 December 2018 are set out in note 12.

Cash position

As at 31 December 2018, the cash and cash equivalents of the Group amounted to approximately HK$41.4 million (2017: approximately HK$56.4 million), which were mainly denominated in Hong Kong dollar, representing a decrease of approximately 26.7% as compared to that at 31 December 2017. The decrease was mainly due to the investment in new restaurants, large pre-opening expenses incurred and the cash outflows from the loss-making new restaurants through their operations.

Borrowings

As at 31 December 2018, the total borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK$29.2 million (2017: approximately HK$37.6 million) that bears floating interest rates from 3.0% to 4.5% per annum (2017: 3.0% to 3.7%) as at 31 December 2018. No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the borrowings are set out in note 14.

Save as disclosed, the Group did not have other borrowings for the years ended 31 December 2017 and 2018.

Pledge of assets

As at 31 December 2018, a total of HK$12.9 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 (2017: HK$12.8 million).

Gearing ratio

As at 31 December 2018, the gearing ratio of the Group was approximately 35.7% (2017: approximately 41.3%). The decrease was mainly attributable to the repayment of bank borrowings during the year ended 31 December 2018. 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 2018 (2017: nil).

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 venture companies during the year ended 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group's outstanding capital commitments were nil (2017: HK$6.7 million).

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2018.

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in Hong Kong Dollars ("**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 Renminbi ("**RMB**") are minimal for the two years ended 31 December 2017 and 2018, 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 2018, 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 2018, 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 2018, the total number of full time and part time employees of the Group was 406 (2017: 356). Total staff costs (including Directors' emoluments) were approximately HK$121.7 million for the year ended 31 December 2018 (2017: HK$87.1 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 on 6 November 2017.

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

LITIGATIONS

As at 31 December 2018, 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 currently 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 2019, of which no restaurant has been opened yet in Hong Kong and we are still in the process of identifying the suitable locations for the new restaurants which are scheduled to open. 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.

Meanwhile, 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. For instance, we are planning to re-position our Mango Tree Café in YOHO Mall and re-brand it to Mango Tree brand.

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 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**").

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

Further information on the Group's corporate governance practices will be set out in the Corporate Governance Report contained in the Group's annual report for the year ended 31 December 2018, which will be sent to Shareholders in due course.

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 (including 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) 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 announcement).

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, 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.

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 year.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed 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 Group's consolidated financial statements and annual results for the year ended 31 December 2018. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

The figures in respect of the Group's consolidated income statement, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers in the preliminary announcement.

SUBSEQUENT EVENT

There is no material subsequent event after 31 December 2018 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The notice of the forthcoming annual general meeting of the Company will be published and dispatched to Shareholders in the manner specified in the GEM Listing Rules in due course.

COMMUNICATION WITH SHAREHOLDERS

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.

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.

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.

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

Hong Kong, 15 March 2019

As at the date of this announcement, the executives 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.

This announcement will remain on the "Latest Company Announcements" page of the website of GEM of the Stock Exchange at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.1957.com.hk.