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1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8495)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019:

- the Group recorded revenue of approximately HK$345.7 million, representing a slight decrease of approximately 0.8% as compared to the corresponding year ended 31 December 2018;

- the newly opened restaurant in Hong Kong in late September 2019, namely Modern Shanghai (Olympian City) Restaurant, recorded a net loss attributable to the owners of the Company of approximately HK$1.1 million;

- the Group recorded an impairment loss in property, plant and equipment of approximately HK$11.6 million incurred by two restaurants, namely Ta-ke Japanese Restaurant ("**Ta-ke**") and Mango Tree Café (Yoho);

- the Group recorded reduction in adjusted loss before income tax to approximately HK$5.7 million (2018: HK$7.2 million) before the effects of impairment loss on property, plant and equipment; and

- the Group recorded loss attributable to the owners of the Company of approximately HK$14.2 million (2018: HK$5.6 million).

RESULTS

The Directors are pleased to announce the consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	**2019**	2018
		HK\$'000	*HK\$'000*
Revenue	*4*	**345,736**	348,538
Other gains and income, net	*5*	**1,946**	64
Cost of inventories sold		**(88,119)**	(88,141)
Employee benefit expenses		**(120,254)**	(121,702)
Depreciation and amortisation		**(79,622)**	(75,139)
Royalty fees		**(4,715)**	(5,250)
Rental expenses		**(7,415)**	(8,574)
Utilities		**(9,376)**	(9,425)
Impairment loss on property, plant and equipment		**(11,600)**	–
Other operating expenses	*7*	**(38,130)**	(40,225)
Operating (loss)/profit		**(11,549)**	146
Finance income		**77**	53
Finance costs		**(5,616)**	(6,182)
Finance costs, net	*6*	**(5,539)**	(6,129)
Share of losses of associates		**(251)**	(1,170)
Loss before income tax		**(17,339)**	(7,153)
Income tax expense		**(403)**	(2,910)
Loss for the year		**(17,742)**	(10,063)
Loss for the year attributable to:			
— Owners of the company		**(14,189)**	(5,620)
— Non-controlling interests		**(3,553)**	(4,443)
		(17,742)	(10,063)
Losses per share attributable to owners of the company for the year (HK cents)			
— Basic and diluted	*10*	**(3.97)**	(1.76)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(17,742)**	(10,063)
Other comprehensive loss		
Items that may be reclassified to profit or loss		
— Currency translation differences	**(189)**	(493)
Total comprehensive loss for the year	**(17,931)**	(10,556)
Total comprehensive loss for the year attributable to:		
— Owners of the company	**(14,375)**	(6,045)
— Non-controlling interests	**(3,556)**	(4,511)
	(17,931)	(10,556)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**202,735**	199,997
Intangible assets		**1,416**	1,632
Interest in associates		**3,808**	3,117
Deferred tax assets		**9,788**	9,114
		217,747	213,860
Current assets			
Inventories		**2,090**	2,294
Trade receivables	*11*	**3,736**	4,855
Prepayments, deposits and other receivables		**5,166**	4,694
Amounts due from related parties		**54**	108
Tax recoverable		**2,122**	900
Pledged bank deposits		**13,082**	12,853
Cash and cash equivalents		**39,716**	41,379
		65,966	67,083
Total assets		**283,713**	280,943
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*12*	**38**	32
Share premium	*12*	**100,980**	86,773
Capital reserve		**(2,983)**	(2,983)
Exchange reserve		**(613)**	(427)
Accumulated losses		**(32,616)**	(18,427)
		64,806	64,968
Non-controlling interest		**9,833**	16,989
Total equity		**74,639**	81,957

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**87,574**	86,933
Deferred income tax liabilities		**36**	45
		87,610	86,978
Current liabilities			
Trade payables	*13*	**13,920**	14,554
Accruals and other payables		**17,720**	20,366
Lease liabilities		**59,548**	43,175
Contract liabilities		**1,519**	1,681
Income tax payable		**576**	151
Amounts due to related parties		**–**	2,851
Loans from non-controlling shareholders	*15*	**7,600**	–
Bank borrowings	*14*	**20,581**	29,230
		121,464	112,008
Total liabilities		**209,074**	198,986
Total equity and liabilities		**283,713**	280,943

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) 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 2019:

HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

(d) ***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 2020 or later periods, but have not been early adopted by the Group:

HKFRS 3 (Amendment)	Definition of a Business [(1)]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[(3)]
HKAS 1 and HKAS 8 (Amendment)	Definition of Material [(1)]
HKFRS 17	Insurance Contracts[(2)]

(1) Effective for the accounting period beginning on 1 January 2020
(2) Effective for the accounting period beginning on 1 January 2021
(3) Effective date to be determined

The Group will apply the above HKFRS when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRS.

(i) Going concern

The Group had current liabilities of HK$121,464,000 as at 31 December 2019 (2018: HK$112,008,000) of which HK$59,548,000 (2018: HK$43,175,000) 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$11,601,000 (2018: HK$20,580,000), 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 their 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 twelve months.

Setting aside the lease liabilities of HK$59,548,000 (2018: HK$43,175,000) and the bank borrowings due after one year but contain a repayable on demand clause of HK$11,601,000 (2018: HK$20,580,000), the Group's current assets exceeded its current liabilities by HK$15,651,000 as at 31 December 2019 (2018: HK$18,830,000). 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 procedures 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 (loss)/profit, which is a measure of adjusted loss before income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that other income and gains, 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 2019

	Operation of restaurants *HK$'000*	**Catering management and consultancy services** *HK$'000*	**Total** *HK$'000*
Total segment revenue	**343,361**	**19,706**	**363,067**
Inter-segment revenue	**–**	**(17,331)**	**(17,331)**
Revenue from external customers	**343,361**	**2,375**	**345,736**
Result			
Segment (loss)/profit	**(2,298)**	**1,874**	**(424)**
Other gains and income, net			**1,946**
Unallocated staff costs			**(14,575)**
Unallocated depreciation and amortisation			**(1,564)**
Unallocated utilities and consumables			**(17)**
Unallocated other expenses			**(2,454)**
Share of losses of associates			**(251)**
Loss before income tax			**(17,339)**

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 from external customers	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)

Information about major customers

There are no single external customers who contributed to more than 10% of the revenue of the Group during the year ended 31 December 2019 (2018: same).

Segment assets and liabilities

At 31 December 2019

	Operation of restaurants ***HK$'000***	**Catering management and consultancy services** ***HK$'000***	**Unallocated** ***HK$'000***	**Elimination** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**325,156**	**62,170**	**5,371**	**(108,984)**	**283,713**
Segment liabilities	**256,533**	**59,471**	**2,054**	**(108,984)**	**209,074**

At 31 December 2018

	Operation of restaurants *HK$'000*	Catering management and consultancy services *HK$'000*	Unallocated *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment assets	318,036	67,194	6,433	(110,720)	280,943
Segment liabilities	242,994	62,528	4,184	(110,720)	198,986

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 2019 and 2018. Accordingly, no analysis by geographical segment is provided.

4 REVENUE

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

	2019 ***HK$'000***	2018 *HK$'000*
Operation of restaurants, recognised at a point in time	**343,361**	344,068
Catering management and consultancy services, recognised overtime	**2,375**	4,470
	345,736	348,538

5 OTHER GAINS AND INCOME, NET

	2019 ***HK$'000***	2018 *HK$'000*
Loss on disposal of property, plant and equipment	**–**	(278)
Sundry income	**1,946**	342
	1,946	64

6 FINANCE COST, NET

	2019	2018
	HK$'000	*HK$'000*
Finance income		
Interest income	**77**	53
Finance costs		
Interest expenses on bank borrowings	**(937)**	(1,165)
Interest expenses on lease liabilities	**(4,679)**	(5,017)
	(5,616)	(6,182)
Finance costs, net	**(5,539)**	(6,129)

7 OTHER OPERATING EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit services	**930**	1,200
— Non-audit services	**476**	218
Advertising and promotion	**1,233**	1,207
Cleaning and laundry expenses	**12,617**	12,650
Credit card charges	**6,391**	6,120
Commission	**1,259**	1,037
Decoration	**554**	712
Legal and professional fees	**3,572**	4,513
Paper and related supplies	**936**	867
Printing expenses	**1,080**	1,370
Restaurant supplies and consumables	**3,851**	5,896
Repairs and maintenance	**1,592**	1,814
Travelling expenses	**840**	848
Others	**2,799**	1,773
	38,130	40,225

8 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 year ended 31 December 2019.

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

	2019	2018
	HK$'000	*HK$'000*
Current profits tax		
— Current income tax for the year	**1,314**	3,063
— Over-provision in prior year	**(228)**	(181)
Deferred tax	**(683)**	28
Income tax	**403**	2,910

9 DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

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.

	2019	2018
Loss attributable to owners of the Company *(HK$'000)*	**(14,189)**	(5,620)
Weighted average number of ordinary shares in issue *(in thousands)*	**357,699**	320,000
Basic losses per share *(HK cents)*	**(3.97)**	(1.76)

(b) Diluted

Diluted losses per share for the years ended 31 December 2019 and 2018 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:

	2019	2018
	HK$'000	*HK$'000*
1 to 30 days	**2,129**	3,150
31 to 60 days	**819**	119
61 to 90 days	**284**	100
Over 90 days	**504**	1,486
	3,736	4,855

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 2018 and 2019	3,800,000,000	380	–
Issued and fully paid:			
As at 1 January 2018 and 2019	320,000,000	32	86,773
Shares issued	64,000,000	6	15,034
Less: Transaction costs arising on share issues	–	–	(827)
As at 31 December 2019	384,000,000	38	100,980

Note: On 30 May 2019, the Company issued 64,000,000 ordinary shares at HK$0.235 per share by way of placing to finance new restaurant openings, development and expansion of the Group's current business and general working capital. All shares issued rank pari passu in all respects with the existing shares.

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:

	2019 ***HK$'000***	2018 *HK$'000*
1 to 30 days	**7,730**	8,072
31 to 60 days	**6,153**	6,465
61 to 90 days	**7**	14
Over 90 days	**30**	3
	13,920	14,554

14 BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Current		
Bank borrowings	**20,581**	29,230

The Group's bank borrowings as at 31 December 2019 and 2018 were all denominated in HK$.

As at 31 December 2019, the Group's bank borrowings were secured by corporate guarantees given by the Company (2018: same) and pledged bank deposits of HK$11,072,000 (2018: HK$11,039,000).

The weighted average effective interest rate of the bank borrowings as at 31 December 2019 was 4.04% per annum (2018: 3.68% per annum).

The carrying amounts of the Group's bank borrowings at 31 December 2019 and 2018 approximate their fair values as the discounting effect is insignificant.

15 LOANS FROM NON-CONTROLLING SHAREHOLDERS

	2019	2018
	HK$'000	*HK$'000*
Non-Trading balances:		
Chairman Food & Beverage Management Limited	**4,700**	–
Jarret Investment Limited	**2,900**	–
	7,600	–

The loans from non-controlling shareholders are unsecured, interest-free and repayable when respective restaurants have earned/retained the cash for repayment purpose. The carrying amounts of the balances approximate their fair values and are denominated in HK$.

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 2019, 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 5 February 2020, the value of total receipts of the restaurants sector was provisionally estimated at HK$112.5 billion for the whole year of 2019, representing a decrease of approximately 5.9% in value and 8.0% in volume compared with the whole year of 2018. Over the same period, the provisional estimate of the value of total purchases of restaurants decreased by approximately 5.1% to approximately HK$36.1 billion.

Analysed by type of restaurant and comparing the whole year of 2019 with the whole year of 2018, total receipts of non-Chinese restaurants decreased by 6.4% in value and 8.3% in volume, as compared to the decrease of 10.0% in value and 12.1% in volume recorded by Chinese restaurants. Total receipts of fast food shops increased by 1.9% in value and 0.1% in volume. Total receipts of bars decreased by 9.0% in value and 10.7% in volume. As for miscellaneous eating and drinking places, total receipts increased by 1.6% in value but decreased by 1.7% in volume.

The food and beverage sector has been facing an even more difficult business environment recently due to the threat of the Coronavirus Disease 2019 (the "**COVID-19**") infection. The outlook down the road depends critically on how the situation of the COVID-19 infection will evolve. The Group will continue to monitor the developments closely and will be cautious in running our business.

BUSINESS REVIEW

Hong Kong

During the year ended 31 December 2019, the Group has opened one new restaurant in Hong Kong namely Modern Shanghai (Olympian City) Restaurant on 20 September 2019.

As at 31 December 2019, the Group had a total of thirteen 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 2019, except for our Mango Tree (Kowloon) Restaurant which 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. However, due to the temporary closure of the entire Festival Walk for a period of approximately two months since 12 November 2019 to conduct the repairing and recovery works, the operation of our An Nam (Festival Walk) Restaurant was affected and the restaurant has suspended its operation temporarily until the re-opening of the mall after the financial year on 16 January 2020.

The People's Republic of China ("PRC")

As at 31 December 2019, the Group has a total of three invested restaurants in the PRC with minority stake investment in each of their respective operating company, including 24.9% equity interests in each of the respective operating company of the two invested restaurants, namely Guangzhou Mango Tree Food & Beverage Co. Ltd (廣州芒果樹餐飲有限公司) and Guangzhou Ten Shanghai Food & Beverage Co. Ltd (廣州十里弄餐飲有限公司), and 15.0% equity interests in the operating company of one invested restaurant, namely Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. (廣州芒果樹麗柏餐飲有限公司). We also provided one-off pre-opening consultancy services and restaurant management services to these 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 noted that the continuously weakening of Hong Kong economy affected the customer sentiment in the past few months, the decrease in number of visitors coming to Hong Kong also greatly affected their total consumptions in our restaurants, coupled with the uncertainties of the global economy, the combined effects are very challenging to our operations. Accordingly, the Group will continue to monitor the relevant economic conditions and the ever-changing catering landscape, including the cost pressure and the increasing downward pressure on the domestic economy and have temporarily suspended all the expansion plans in Hong Kong. Besides, in view of the improvement in the performance of the invested restaurants in the PRC, the Group will place more efforts and be proactive in identifying opportunities for the opening and management of new restaurants in the PRC with or without our minority stake investment in a cautious manner. However, the outlook down the road depends critically on how the situation of the COVID-19 infection will evolve. The Group will continue to monitor the developments closely and will be cautious in running and expanding our PRC related business.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, approximately 99.3% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.7% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 31 December 2019, the Group was operating thirteen (2018: twelve) restaurants, of which one (2018: one) restaurant was newly opened and no (2018: one) restaurant was relocated and renamed and no (2018: no) restaurant was closed down during the year.

The revenue remained flat because the results had already accounted for the increased number of restaurants fully in operation during the entire year as compared to 2018 and the effect was netted off by the drop in revenue of several restaurants due to the challenging external environment with the signs of continuously weakening of Hong Kong economy affecting the customer sentiment in the past few months, the decrease in number of visitors coming to Hong Kong also greatly affected their total consumptions in our restaurants, coupled with the uncertainties of the global economy and the ad-hoc variation or shortening of opening hours of various shopping malls and the temporary closure of Festival Walk for a period of over 1.5 months in 2019 where the restaurants of the Group are located.

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			
	2019		2018	
	Revenue *HK$'000*	**% of total revenue from operation of restaurant** *(%)*	Revenue *HK$'000*	% of total revenue from operation of restaurant *(%)*
Thai	**73,853**	**21.5**	80,290	23.3
Vietnamese	**65,899**	**19.2**	78,666	22.9
Japanese	**86,485**	**25.2**	78,422	22.8
Shanghainese	**77,866**	**22.7**	65,107	18.9
Italian	**39,258**	**11.4**	41,583	12.1
Total revenue from operation of restaurants in Hong Kong	**343,361**	**100.0**	344,068	100.0

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants decreased by approximately HK$6.4 million, or approximately 8.0%, from approximately HK$80.3 million for the year ended 31 December 2018 to approximately HK$73.9 million for the year ended 31 December 2019. Such decrease was due to the factors as mentioned above.

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK$12.8 million, or approximately 16.3%, from approximately HK$78.7 million for the year ended 31 December 2018 to approximately HK$65.9 million for the year ended 31 December 2019. Such decrease was due to the factors as mentioned above.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK$8.1 million, or approximately 10.3%, from approximately HK$78.4 million for the year ended 31 December 2018 to approximately HK$86.5 million for the year ended 31 December 2019. Such increase was mainly resulted from the differences in the aggregate contribution by the Ta-ke which was fully operated for twelve months in 2019 as compared to the corresponding period in 2018 in which it only operated for nine months and a few days, while the impact was partially offset by the factors as mentioned above.

Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants increased by approximately HK$12.8 million, or approximately 19.7%, from approximately HK$65.1 million for the year ended 31 December 2018 to approximately HK$77.9 million for the year ended 31 December 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 eleven months in 2018 as compared to its operation for the entire twelve months in 2019 and the increase in revenue contributed by the new Modern Shanghai (Olympian City) Restaurant from 20 September 2019 to 31 December 2019 while the impact was partially offset by the factors as mentioned above.

Italian-style restaurant

The revenue generated from operation of Italian-style restaurant decreased by approximately HK$2.3 million, or approximately 5.5%, from approximately HK$41.6 million for the year ended 31 December 2018 to approximately HK$39.3 million for the year ended 31 December 2019. Such decrease was mainly resulted from the drop in number of visitors and the factors as mentioned above.

Cost of inventories sold

The cost of inventories consumed mainly represents the cost 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$88.1 million and HK$88.1 million for each of the years ended 31 December 2018 and 2019, respectively, representing approximately 25.6% and 25.7% of the Group's total revenue generated from operation of restaurants for the corresponding year.

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 decreased slightly from approximately HK$121.7 million for the year ended 31 December 2018 to approximately HK$120.3 million for the year ended 31 December 2019, representing a decrease of approximately 1.2% in comparison. Such decrease was mainly due to the cost reduction measures effected despite 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 will remain more stable as long as the downturn of the economy in Hong Kong continues.

The Directors recognise the importance of retaining quality staff while believing 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$75.1 million and HK$79.6 million for the years ended 31 December 2018 and 2019, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle. As lease expenses have been reflected as amortisation of right-of-use assets and related finance cost since its recognition, with a higher expenses amount to be incurred in early years of the lease terms, diminishing over the lease's duration and result in a lower expenses amount in the latter part of the terms resulted from the adoption of HKFRS 16 — Leases. The increase in such expenses was mainly contributed by the incremental amortisation of right-of-use assets following the renewal of two lease and license agreements of our three restaurants, and commencement of a new lease agreement of Modern Shanghai (Olympian City) Restaurant during the year.

The depreciation charged on the right-of-use assets amounted to approximately HK$52.4 million and HK$56.9 million for the years ended 31 December 2018 and 2019, 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 providing 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$18.1 million and HK$18.2 million, for the years ended 31 December 2018 and 2019, 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 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 on a long term basis, 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 Directors 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.

Impairment loss on property, plant and equipment

The Group recorded an impairment loss on property, plant and equipment of approximately HK$11.6 million (2018: nil) for the year ended 31 December 2019. The impairment loss on property, plant and equipment is based on the forecast which has taken into account, among other things, (i) the accumulated operating losses incurred by the respective restaurants; (ii) the expected increase in operating losses for these restaurants with very remote chance of turnaround into profit making position after taking into account the commencement of social events during the latter half of 2019 and the first annual contraction of real gross domestic product of Hong Kong since 2009.

Rental expenses

The rental expenses, which mainly represent turnover rent and government rates, for the year ended 31 December 2019 amounted to approximately HK$7.4 million, representing a decrease of approximately 14.0% as compared with that of the year ended 31 December 2018 which amounted to approximately HK$8.6 million. The decrease was due to the drop in revenue of our certain restaurants.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the years ended 31 December 2018 and 2019, the total utility expenses amounted to approximately HK$9.4 million and HK$9.4 million, respectively. It remained flat given that the temporary closure or shortening of opening hours of shopping malls, the total utility expenses were netted off by the newly opened restaurant in late September 2019.

Income tax expenses

The income tax expenses of the Group decreased from approximately HK$2.9 million for year ended 31 December 2018 to approximately HK$0.4 million for the year ended 31 December 2019.

Loss for the year

The Group recorded a loss of approximately HK$17.7 million for the year ended 31 December 2019 as compared to a loss of approximately HK$10.1 million for the corresponding year in 2018. The loss was partly attributable to a) the impairment loss on property, plant and equipment for Mango Tree Café (Yoho) and Ta-ke which amounted to approximately HK$11.6 million and b) combined effect of the following: (i) the differences in the aggregate contribution by Ta-ke which was fully operated for twelve months in 2019 as compared with only approximately nine months' operation in 2018; (ii) the differences in the aggregate contribution by full operation of 10 Shanghai Restaurant for twelve months in 2019 as compared with only approximately eleven months' operation in 2019; and (iii) the differences in the amount of pre-opening expenses incurred for one new restaurant opened and one relocated and renamed restaurant in 2018 as compared with one new restaurant opened in 2019 netted off by (i) the increase in depreciation and amortisation of right-of-use assets which were resulted from the renewal of two leases of our three restaurants and the commencement of a new lease for Modern Shanghai (Olympian City) Restaurant during 2019; (ii) the net contribution by Modern Shanghai (Olympian City) Restaurant which was operated for approximately three months in 2019; (iii) the decrease in contribution by Mango Tree (Kowloon) Restaurant which was temporarily closed for approximately two weeks for renovation; (iv) the increase in depreciation for capital expenditures related to the renovation work for Mango Tree (Kowloon) Restaurant; and (v) the incurred loss for a restaurant located in Festival Walk which was temporarily closed for approximately two months since 12 November 2019 to 15 January 2020 to conduct the repairing and recovery works.

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 and the placing of shares

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 set 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.

On 30 May 2019, for the purpose of broadening the shareholder base and satisfying the following genuine business needs of the Group in the opening of new restaurant, namely Modern Shanghai (Olympian City) Restaurant in the Kowloon district in the amount of approximately HK$8.5 million, investment in restaurant(s) by a minority stake in PRC for approximately HK$3.0 million and an approximately HK$2.6 million for general working capital, 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 (the "**Placing**") to not less than six independent placees who are professional, institutional and other investors selected and procured by or on behalf of the placing agents. The net proceeds from the Placing amounted to approximately HK$14.1 million (after deducting the placing commission and other expenses). The closing price of the shares was HK$0.28 on the date of the Placing agreement and the net issue price per Placing share (after deduction of the Placing commission and other related expenses) was approximately HK$0.22.

The following sets forth the comparison between the intended uses of net proceeds from i) 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 2019 and ii) the Placing as mentioned above:

Objectives	Adjusted 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 restaurant operation and investment	Actual use of proceeds during the year	Revised total remaining use of proceeds as at 31 December 2019
(i) The Share Offer						
1. Continue to develop our brand portfolio and expand our restaurant network						
(a) Settlement of part of the set up and opening costs of Paper Moon Restaurant	HK$0.7 million	HK$0.7 million	–	–	–	–
(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	HK$3.4 million	–	HK$3.4 million	(HK$3.4 million) (Note 1)	–	–
2. Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	HK$0.7 million	HK$0.7 million	–	–	–	–
3. Investment in a restaurant in PRC by a minority stake	–	–	–	HK$1 million	HK$1 million	–
4. Restaurant operation	–	–	–	HK$2.4 million	HK$2.4 million	–
Total	HK$24.3 million	HK$20.9 million	HK$3.4 million	–	HK$3.4 million	–

		Planned use of proceeds from the Placing	Actual use of proceeds up to 31 December 2019	Remaining use of proceeds as at 31 December 2019
(ii)	The Placing			
(1)	To open a new restaurant serving Huaiyang (淮陽)/Shanghainese cuisine in Olympian City 3	HK$8.5 million	HK$8.5 million	–
(2)	To invest in restaurants by a minority stake in the Guangdong-Hong Kong-Macao Greater Bay Area	HK$3.0 million	–	HK$3.0 million
(3)	General working capital *(Note (2))*	HK$2.6 million	HK$2.6 million	–
		HK$14.1 million	HK$11.1 million	HK$3.0 million

Notes:

(1) The unutilised balance of HK$3.4 million allocated from use of proceeds had been transferred to (i) partly in the amount of HK$2.4 million for restaurant operation in order to meet the cash requirement impacted by the loss of revenue arising from the ad-hoc variation or shortening of opening hours of shopping malls of our restaurants locations during the last quarter of 2019 and (ii) partly in the amount of HK$1.0 million for the investment in a restaurant by a minority stake as stated in the third quarterly report of the Company for the nine months ended 30 September 2019.

(2) 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.

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 and the Placing, the Group will make appropriate 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 2019, the Group generated 99.3% 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 a 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$34.5 per hour to HK$37.5 per hour with effect from 1 May 2019.

    c. As at 31 December 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, the subsequent published annual reports and interim reports, 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 associates/joint venture partners. 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 2019 is set out below:

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2019
1. Continue to develop our brand portfolio and expand our restaurant network	Settlement of part of the set 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
	Set up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou	Guangzhou Ten Shanghai Food & Beverage Co. Ltd. operated a restaurant, namely 十里弄堂 was set up and opened in Guangzhou K11 shopping mall during May 2018 and the Group is still in the process of identifying a desirable location to open the second restaurant
	Set up a restaurant under the Mango Tree brand and set up a restaurant under the Mango Tree Café brand in shopping mall in Guangzhou	Guangzhou Mango Tree Food & Beverage Co. Ltd. operated a restaurant, namely 芒果樹(K11店) was set up and opened in Guangzhou K11 shopping mall during May 2018 for the Mango Tree brand and Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. operated a restaurant, namely 芒果樹(麗柏廣場店) was set up and opened in Guangzhou La Perle shopping mall during September 2019

		Business plan as stated in the Prospectus	Actual business progress up to 31 December 2019
1.	Continue to develop our brand portfolio and expand our restaurant network (continued)	Open a restaurant under the Hokkaidon brand and a restaurant under the Mango Tree brand in a shopping mall in Hong Kong	The Group is still in the process of identifying a desirable location to open the restaurants The expansion plan in Hong Kong is temporarily suspended since the third quarter of 2019
		Open a restaurant under the Modern Shanghai brand in a shopping mall in Hong Kong	Modern Shanghai (Olympian City) Restaurant has opened in September 2019
		Set up a restaurant under the Mango Tree Café brand in a shopping mall in Shenzhen	The Group is still in the process of identifying a desirable location to open the restaurant
		Set up a restaurant under a refined Ta-ke brand in a shopping mall in Shenzhen	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	Identify 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 2018 to 31 December 2019 are set out in note 12.

Cash position

As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately HK$39.7 million (2018: approximately HK$41.4 million), which were mainly denominated in Hong Kong dollar, representing a decrease of approximately 4.1% as compared to that as at 31 December 2018. 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 2019, the total bank borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK$20.6 million (2018: approximately HK$29.2 million) that bears floating interest rates from 3.0% to 5.2% per annum (2018: 3.0% to 4.5%). No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the bank borrowings are set out in note 14.

As at 31 December 2019, the total loans from non-controlling shareholders were for a) supporting a loss-making restaurant to conduct normal operation and b) financing the set-up of a new restaurant, which were denominated in Hong Kong dollar, amounted to approximately HK$7.6 million (2018: nil) that were interest-free and repayable when the respective restaurants have earned/retained the cash for repayment purpose.

Save as disclosed, the Group did not have other borrowings for the years ended 31 December 2018 and 2019.

Pledge

As at 31 December 2019, a total of HK$13.1 million pledged deposits provided by the Group were held at banks as security for a rental deposit of our lease and as securities for the bank borrowings (2018: HK$12.9 million).

Gearing ratio

As at 31 December 2019, the gearing ratio of the Group was approximately 37.8% (2018: approximately 35.7%). The resulted increase was mainly attributable to the combined effect of increase in loans from non-controlling shareholders netted off by the placing of 64,000,000 shares and the repayment of bank borrowings during the year. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, loans from non-controlling shareholders, divided by the total equity of the Company at the end of the respective period.

Commitments

The Group was committed to making future minimum lease payments in respect of staff quarters under non-cancellable operating lease. The Group's operating lease commitments not yet commenced as at 31 December 2019 were HK$116,000 (2018: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any material acquisition or disposal of subsidiaries and associates during the year ended 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group's outstanding capital commitments were nil (2018: nil).

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in Hong Kong Dollars. 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 are minimal for the years ended 31 December 2018 and 2019, the Group considers there have no significant foreign exchange risks in respect of Renminbi for both years.

TREASURY POLICIES AND RISK MANAGEMENT

As at 31 December 2019, 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 is minimal.

As at 31 December 2019, 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 2019, the total number of full time and part time employees of the Group was 407 (2018: 406). Total staff costs (including Directors' emoluments) were approximately HK$120.3 million for the year ended 31 December 2019 (2018: HK$121.7 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 2019, 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 originally plan to open or invest in and manage seven new restaurants (three in Hong Kong and four in the PRC) according to our original plan for the year ended 31 December 2019, of which only one restaurant, namely Modern Shanghai (Olympian City) Restaurant has been opened in Hong Kong during the year of 2019 and we were still in the process of identifying the suitable locations for the remaining two restaurants which were scheduled to open in the first half of 2019. For restaurants to be opened in the PRC, we only intend to hold a minority stake of approximately 25% or less in the operating companies of these restaurants and will manage these restaurants. Only Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. (廣州芒果樹麗柏餐飲有限公司) was opened in the year of 2019 and the remaining three restaurants were still in the process of identifying the desirable locations to open during the later half of 2019. However, due to the slow down of economic growth in Hong Kong in 2019 and the outbreak of COVID-19 in PRC impacted both PRC and Hong Kong, we have suspended all the planned investment projects temporarily.

Meanwhile, in view of the uncertainty brought by the outbreak of COVID-19 (including the recent proposed ban of alcohol sales in bars and restaurants) and economic contraction in Hong Kong, the industry may face further challenges while we will continue to review the operation and evaluate the performance of our existing restaurants, and formulate adequate strategies for each restaurant and our development plan with a more conservative approach in response to changes in the industry and economic environment with a view to maximizing the return to our investors. For instance, we have re-positioned our Mango Tree Café in YOHO Mall and re-branded it to Mango Tree brand during the year of 2019.

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 when the impact from COVID-19 is diminished and expect that there will be an increasing demand for restaurant consultancy services.

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 2019, 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 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 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 2019. 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 2019 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

As disclosed in the announcement made by the Company on 28 February 2020, the Group has been affected greatly by the outbreak of COVID-19 in Hong Kong since February 2020. As a result of the significant reduction in the number of customers visiting the Group's restaurants, the Group's revenue has fallen substantially by approximately 40% in aggregate in February 2020 as compared with the corresponding month in 2019. The Directors do not currently have a view as to how long the weak situation will continue, and therefore, it is not possible, at this stage, to quantify the overall financial impact for the entire COVID-19 outbreak to the Group.

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, 23 March 2020

As at the date of this announcement, 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.

This announcement will remain on the "Latest Listed Company Information" 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.