1957 & Co. (Hospitality) Limited

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

Interim Report 2018

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

Financial Highlights

During the six months ended 30 June 2018:

- the Group recorded unaudited revenue of approximately HK$167.5 million (2017: HK$120.4 million), representing an increase of approximately 39.1% as compared to the corresponding period ended 30 June 2017;
- the two newly opened restaurants in Hong Kong, namely 10 Shanghai Restaurant and Ta-Ke Japanese Restaurant had incurred an aggregated unaudited net loss of approximately HK$12.1 million where approximately HK$7.6 million of the net loss was attributable to the owners of the Company; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK$7.5 million (2017: HK$7.8 million).

During the three months ended 30 June 2018:

- the Group recorded unaudited revenue of approximately HK$91.9 million (2017: HK$62.1 million), representing an increase of 48.0% as compared to the corresponding period ended 30 June 2017;
- the two newly opened restaurants in Hong Kong, namely 10 Shanghai Restaurant and Ta-Ke Japanese Restaurant had incurred an aggregated unaudited net loss of approximately HK$3.3 million where approximately HK$2.1 million of the net loss was attributable to the owners of the Company; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK$0.4 million (2017: HK$4.0 million).

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2018

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

The Directors are pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	**2018**	2017
		HK$'000	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	4	**91,883**	62,084	**167,501**	120,382
Other income and (losses)/gains, net		**(244)**	23	**(69)**	(70)
Cost of inventories sold		**(23,050)**	(16,862)	**(42,757)**	(32,500)
Employee benefit expenses		**(30,852)**	(20,230)	**(60,345)**	(40,367)
Depreciation, amortisation and impairment		**(19,494)**	(13,086)	**(37,864)**	(24,811)
Royalty fees		**(1,275)**	(757)	**(2,492)**	(1,504)
Rental expenses		**(1,561)**	(1,005)	**(4,242)**	(2,199)
Utility expenses		**(2,414)**	(1,738)	**(4,689)**	(3,245)
Other operating expenses		**(10,796)**	(5,460)	**(21,042)**	(11,011)
Listing expenses		**–**	(4,762)	**–**	(9,437)
Operating profit/(loss)		**2,197**	(1,793)	**(5,999)**	(4,762)
Finance income		**10**	13	**15**	13
Finance costs	5	**(1,594)**	(955)	**(3,299)**	(1,912)
Finance costs, net		**(1,584)**	(942)	**(3,284)**	(1,899)
Share of losses of associates		**(796)**	(4)	**(800)**	(8)
Loss before income tax		**(183)**	(2,739)	**(10,083)**	(6,669)
Income tax expense	6	**(1,091)**	(669)	**(1,110)**	(800)
Loss for the period		**(1,274)**	(3,408)	**(11,193)**	(7,469)
(Loss)/profit for the period attributable to:					
— Owners of the Company		**(444)**	(3,971)	**(7,456)**	(7,839)
— Non-controlling interests		**(830)**	563	**(3,737)**	370
		(1,274)	(3,408)	**(11,193)**	(7,469)
Losses per share attributable to owners of the company for the period *(expressed in HK cents per share)*					
— Basic and diluted	8	**(0.14)**	(1.65)	**(2.33)**	(3.27)

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2018

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period	**(1,274)**	(3,408)	**(11,193)**	(7,469)
Other comprehensive loss				
Items that may be reclassified to profit or loss				
— Currency transaction differences	**(43)**	–	**(43)**	–
Total comprehensive loss for the period	**(1,317)**	(3,408)	**(11,236)**	(7,469)
Total comprehensive (loss)/profit for the period attributable to:				
— Owners of the Company	**(487)**	(3,971)	**(7,499)**	(7,839)
— Non-controlling interests	**(830)**	563	**(3,737)**	370
	(1,317)	(3,408)	**(11,236)**	(7,469)

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Note	**As at 30 June 2018 HK$'000 (Unaudited)**	As at 31 December 2017 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**232,287**	243,412
Intangible assets	10	**1,740**	1,848
Interest in associates	11	**3,865**	28
Prepayment		**–**	16,325
Deferred tax assets		**9,113**	9,113
		247,005	270,726
Current assets			
Inventories		**2,174**	1,676
Trade receivables	12	**4,801**	3,512
Prepayments, deposits and receivables		**4,909**	6,038
Amounts due from related parties		**82**	80
Tax recoverable		**476**	827
Pledged bank deposits		**12,845**	12,835
Cash and cash equivalents		**38,223**	56,424
		63,510	81,392
Total assets		**310,515**	352,118
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	13	**32**	32
Share premium		**86,773**	86,773
Capital reserve		**(2,983)**	(2,983)
Exchange reserve		**(45)**	(2)
Accumulated losses		**(20,263)**	(12,807)
		63,514	71,013
Non-controlling interests		**17,763**	19,980
Total equity		**81,277**	90,993

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Note	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**104,922**	136,337
Deferred income tax liabilities		**16**	16
		104,938	136,353
Current liabilities			
Trade payables	14	**23,312**	13,499
Accruals and other payables		**12,975**	16,983
Lease liabilities		**50,181**	53,650
Contract liabilities		**1,590**	797
Income tax payables		**2,797**	2,229
Bank borrowings	15	**33,445**	37,614
		124,300	124,772
Total liabilities		**229,238**	261,125
Total equity and liabilities		**310,515**	352,118

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2018

	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
(Unaudited)								
Balance at 1 January 2017	–	46,483	(2,983)	–	(1,713)	41,787	6,019	47,806
Loss and total comprehensive income/ (loss) for the period	–	–	–	–	(7,839)	(7,839)	370	(7,469)
Capitalisation of loans from shareholders and non-controlling shareholder of subsidiary	–	–	–	–	–	–	(40)	(40)
Balance at 30 June 2017	–	46,483	(2,983)	–	(9,552)	33,948	6,349	40,297
(Unaudited)								
As at 1 January 2018	**32**	**86,773**	**(2,983)**	**(2)**	**(12,807)**	**71,013**	**19,980**	**90,993**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**(43)**	**(7,456)**	**(7,499)**	**(3,737)**	**(11,236)**
Capital contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**1,520**	**1,520**
Balance at 30 June 2018	**32**	**86,773**	**(2,983)**	**(45)**	**(20,263)**	**63,514**	**17,763**	**81,277**

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**52,326**	27,111
Cash flows from investing activities		
Purchase of property, plant and equipment	**(36,838)**	(11,972)
Prepayment for purchase of property, plant and equipment	**–**	(3,807)
Capital contribution to associates	**(4,637)**	–
Interest received	**15**	13
Net cash used in investing activities	**(41,460)**	(15,766)
Cash flows from financing activities		
Proceeds from bank borrowings	**–**	8,000
Repayment of bank borrowings	**(4,169)**	(10,956)
Addition of pledged bank deposit for bank borrowings	**–**	(1,748)
Payment of lease liabilities	**(24,898)**	(17,915)
Listing expenses paid	**–**	(2,958)
Net cash used in financing activities	**(29,067)**	(25,577)
Net decrease in cash and cash equivalents	**(18,201)**	(14,232)
Cash and cash equivalents at beginning of period	**56,424**	23,906
Cash and cash equivalents at end of period	**38,223**	9,674

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 (the "**2018 Interim Financial Statements**") have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of GEM Listing Rules.

The 2018 Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The 2018 Interim Financial Statements are presented in thousands of Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

Except as described below, the accounting policies and methods of computation used in the preparation of the 2018 Interim Financial Statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2017.

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

HKAS 28 (Amendment)	Investments in associates and joint ventures
HKAS 40 (Amendments)	Transfer of investment property
HKFRS 1 (Amendment)	First time adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
HKFRS 9	Financial Instruments
HK(IFRIC)-Int22	Foreign Currency Transactions and Advance Consideration

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

3 SEGMENT INFORMATION

The Chief operating decision-maker (the "**CODM**") has been identified as the Executive Directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

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

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

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

Segment revenue and result

Six months ended 30 June 2018

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

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and result (Continued)

Six months ended 30 June 2017

	Operation of restaurants HK$'000 (Unaudited)	Catering management and consultancy services HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Total segment revenue	119,480	7,454	126,934
Inter-segment revenue	–	(6,552)	(6,552)
Revenue	119,480	902	120,382
Timing of revenue recognition			
Over time	119,480	902	120,382
Result			
Segment profit	8,941	463	9,404
Other income and gains, net			(70)
Unallocated staff costs			(5,448)
Unallocated depreciation and amortisation			(420)
Unallocated utilities and consumables			(20)
Unallocated other expenses			(670)
Share of losses of associates			(8)
Listing expenses			(9,437)
Loss before income tax			(6,669)

3 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

At 30 June 2018

	Operation of restaurants HK$'000 (Unaudited)	Catering management and consultancy services HK$'000 (Unaudited)	Elimination HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment assets	**351,262**	**70,458**	**(111,205)**	**310,515**
Elimination of inter-segment receivables	**(61,837)**	**(49,368)**	**111,205**	**–**
	289,425	**21,090**	**–**	**310,515**
Segment liabilities	**274,613**	**65,830**	**(111,205)**	**229,238**
Elimination of inter-segment payables	**(49,368)**	**(61,837)**	**111,205**	**–**
	225,245	**3,993**	**–**	**229,238**

At 31 December 2017

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

4 REVENUE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Operation of restaurants	**89,615**	62,039	**164,583**	119,480
Catering management and consultancy services	**2,268**	45	**2,918**	902
	91,883	62,084	**167,501**	120,382

5 FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest expenses on bank borrowings	**292**	134	**596**	275
Interest expenses on lease liabilities	**1,302**	821	**2,703**	1,637
	1,594	955	**3,299**	1,912

6 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 six months ended 30 June 2018.

7 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2018.

8 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 period.

	For the three months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss attributable to owners of the company (HK$'000)	**(444)**	(3,971)	**(7,456)**	(7,839)
Weighted average number of ordinary shares in issues (in thousands)	**320,000**	240,000	**320,000**	240,000
Basic and diluted losses per share (HK cents)	**(0.14)**	(1.65)	**(2.33)**	(3.27)

Note:

The weighted average number of shares in issue for the six months ended 30 June 2017 for the purpose of losses per share computation has been retrospectively adjusted for the effect of the 239,900,000 shares issued under the capitalisation issue on 6 November 2017.

(b) Diluted

Diluted losses per share for the six months ended 30 June 2018 and 2017 were the same as the basic losses per share as there were no potential dilutive ordinary shares.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment as a result from the opening of two new restaurants in Hong Kong, namely 10 Shanghai Restaurant and Ta-Ke Japanese Restaurant, at a cost of approximately HK$36.8 million (2017: HK$50.0 million).

During the six months ended 30 June 2018, the landlord from one restaurant of the Group informed us that they have excluded certain areas that are included in the lease and have been previously accounted for with the view that these areas are currently not conducting the business activities, these areas are the "Outside Seating Area" ("OSA"). Accordingly, the reason for the exclusion of OSA in the computation of rental charges resulted in the decrease of right-of-use assets by approximately HK$10.2 million (2017: Nil).

10 INTANGIBLE ASSETS

	Total HK$'000
At 31 December 2017 (audited)	
Cost	2,112
Accumulated amortisation	(264)
Net book amount	1,848
Six months ended 30 June 2018 (unaudited)	
Opening net book amount	**1,848**
Additions	**–**
Amortisation charges	**(108)**
Net book amount	**1,740**
At 30 June 2018 (unaudited)	
Cost	**2,112**
Accumulated amortisation and impairment	**(372)**
Net book amount	**1,740**

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

11 INTEREST IN ASSOCIATE

	Total HK$'000
At 31 December 2017 (audited)	
As at 1 January 2017	36
Share of losses of associate	(8)
As at 31 December 2017	28
Six months ended 30 June 2018 (unaudited)	
As at 1 January 2018	**28**
Additions	**4,637**
Share of losses of associate	**(800)**
As at 30 June 2018	**3,865**

12 TRADE RECEIVABLES

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

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
1 to 30 days	**2,294**	3,065
31 to 60 days	**1,683**	167
61 to 90 days	**282**	92
Over 90 days	**542**	188
	4,801	3,512

13 SHARE CAPITAL

	Number of shares of the company	**Share capital** HK$'000	**Share premium** HK$'000
Authorised:			
Ordinary share capital of HK$0.0001 each as at 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	3,800,000,000	380	–
Issued and fully paid:			
At 1 January 2017	100,000	–	46,483
Capitalisation issue of shares	239,900,000	24	(24)
As at 30 June 2017	240,000,000	24	46,459
At 1 January 2018 and 30 June 2018	320,000,000	32	86,773

14 TRADE PAYABLES

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

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
1 to 30 days	**11,248**	7,367
31 to 60 days	**8,856**	6,039
61 to 90 days	**633**	6
Over 90 days	**2,575**	87
	23,312	13,499

15 BANK BORROWINGS

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Bank borrowings with repayable on demand	**33,445**	37,614

As at 30 June 2018, the Group's bank borrowings were secured by corporate guarantee given by the Company (31 December 2017: same) and pledged bank deposits of HK$11,031,000 (31 December 2017: HK$11,021,000).

The weighted average effective interest rates of the bank borrowings as at 30 June 2018 was 3.7% per annum (31 December 2017: 3.3% per annum).

16 RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Purchases of property, plant and equipment from related companies (Note a)		
— Steve Leung Designers Limited	**2,322**	967
— Tino Kwan Lighting Consultants Limited	**66**	196
	2,388	1,163
Lease payment (Note b)		
— Perfect Win Properties Limited	**4,916**	4,675
— Barrowgate Limited	**6,656**	–
	11,572	4,675

Notes:

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

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

Management Discussion and Analysis

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

During the six months ended 30 June 2018, the Group had been principally engaged in operating full services restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provides restaurant management and consultancy services in Hong Kong and the PRC.

BUSINESS REVIEW

During the six months ended 30 June 2018 (the "**Review Period**"), the Group has opened one new restaurant in Hong Kong namely 10 Shanghai Restaurant on 28 January 2018. Meanwhile, the Group has also closed the Sushi Ta-ke Restaurant in Cubus, Causeway Bay upon expiring of its lease which served Japanese cuisine, and the restaurant was then relocated to Lee Garden and renamed Ta-ke Japanese Restaurant ("**Ta-Ke**") on 28 March 2018 in Hong Kong, serving a more variety of quality Japanese food.

As at 30 June 2018, the Group had a total of twelve restaurants under five self-owned brands in Hong Kong, namely, Ta-ke, An Nam (including its junior brand, Petit An Nam), Modern Shanghai, 10 Shanghai and Hokkaidon and three franchised or sub-licensed brands, namely, Mango Tree (including its junior brand, Mango Tree Café), Gonpachi and Paper Moon. During the Review Period, none of our restaurants had undergone significant renovation.

In addition, the Group has opened and invested in two new restaurants 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). Both restaurants commenced their operations on 18 May 2018. We hold a minority stake of 24.9% in each of the respective operating company of the restaurants and provide restaurant management consultancy services to the two restaurants.

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

FINANCIAL REVIEW

Revenue

During the Review Period, approximately 98.3% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 1.7% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 June 2018, the Group was operating twelve (2017: nine) restaurants, of which one (2017: one) restaurant was newly opened, one (2017: no) restaurant was relocated and renamed and no (2017: no) restaurant was closed down during the Review Period in Hong Kong.

The revenue of the Group increased by approximately 39.1% from approximately HK$120.4 million for the six months ended 30 June 2017 to approximately HK$167.5 million for the six months ended 30 June 2018. The increase in revenue in comparison was principally due to the increased number of restaurants in operation during the Review Period.

The Group served mainly 5 different cuisines during the Review Period. The table below sets forth a breakdown of the Group's revenue generated by operation of restaurants by type of cuisine and as a percentage of total revenue generated by operation of restaurants for the periods indicated:

	For the six months ended 30 June			
	2018		2017	
	Revenue HK$'000	**% of total Revenue (%)**	Revenue HK$'000	% of total Revenue (%)
Vietnamese	**39,124**	**23.8**	38,126	31.9
Thai	**40,453**	**24.6**	33,265	27.8
Japanese	**36,276**	**22.0**	35,541	29.8
Shanghainese	**29,206**	**17.7**	12,548	10.5
Italian	**19,524**	**11.9**	–	–
Total	**164,583**	**100%**	119,480	100%

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants increased by approximately HK$1.0 million, or approximately 2.6%, from approximately HK$38.1 million for the six months ended 30 June 2017 to approximately HK$39.1 million for the six months ended 30 June 2018. Such increase was due to reengineering of the menu of one of the restaurants in Yuen Long area to cater for our targeted customers as well as better overall performance of other Vietnamese-style restaurants.

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants increased by approximately HK$7.2 million, or approximately 21.6%, from approximately HK$33.3 million for the six months ended 30 June 2017 to approximately HK$40.5 million for the six months ended 30 June 2018. Such increase was mainly due to the contribution from a new Thai restaurant opened in July of 2017.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK$0.7 million, or approximately 2.1%, from approximately HK$35.5 million for the six months ended 30 June 2017 to approximately HK$36.3 million for the six months ended 30 June 2018. Such increase was resulted from the differences in the contribution by the closure of Sushi Ta-Ke restaurant in Cubus, Causeway Bay, while the renamed and larger new Ta-Ke restaurant was relocated and opened on 28 March 2018.

Shanghainese-style restaurant

The revenue generated from operation of Shanghainese-style restaurant increased by approximately HK$16.7 million, or approximately 132.8%, from approximately HK$12.5 million for the six months ended 30 June 2017 to approximately HK$29.2 million for the six months ended 30 June 2018. Such increase was mainly contributed by the revenue derived from 10 Shanghai Restaurant, which was opened on 28 January 2018, and the increase in revenue of our Modern Shanghai Restaurant located in YOHO Mall. The pedestrian flow of YOHO Mall was enhanced since the opening of a new MTR exit connecting to the mall in July 2017.

Italian-style restaurants

The revenue generated from operation of Italian-style restaurants was approximately HK$19.5 million for the six months ended 30 June 2018. It was contributed by the revenue from an Italian restaurant namely Paper Moon Restaurant, which started its operation in the third quarter of 2017.

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$42.8 million and HK$32.5 million for each of the six months ended 30 June 2018 and 2017, respectively, representing approximately 26.0% and 27.2% of the Group's total revenue generated from operation of restaurants for the corresponding period. Our management has been very conscious in striking the balance between food cost and food quality. Despite the continuous expansion of our restaurant portfolio and revenue, we have been able to maintain a relatively stable food cost as a percentage of revenue as we carried out continuous review and monitor of our costs, recipes, menus and customers feedbacks.

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits, and were one of the largest components of the operating expenses of the Group. The staff costs increased from approximately HK$40.4 million for the six months ended 30 June 2017 to approximately HK$60.3 million for the six months ended 30 June 2018, representing an increase of approximately 49.5% 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.

Rental expenses

The rental expenses for the six months ended 30 June 2018 amounted to approximately HK$4.2 million, representing an increase of approximately 92.9% as compared with that of the six months ended 30 June 2017 which amounted to approximately HK$2.2 million. Such increase was mainly due to increase in turnover rent and government rates as the number of restaurants in operation has increased during the Review Period.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the six months ended 30 June 2018 and 2017, the total utility expenses amounted to approximately HK$4.7 million and HK$3.2 million, respectively. Such increase was mainly due to the increased number of restaurants operated during the Review Period.

Other operating expenses

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

The other operating expenses increased from approximately HK$11.0 million for the six months ended 30 June 2017 to approximately HK$21.0 million for the six months ended 30 June 2018, representing an increase of approximately 91.1%. This was mainly attributable to the pre-opening expenses of approximately HK$4.7 million of the two new restaurants incurred during the six months ended 30 June 2018. With those newly established restaurants in operation during the Review Period, other operating expenses has increased accordingly.

Depreciation, amortization and impairment

Depreciation, amortization and impairment of approximately HK$37.9 million and HK$24.8 million for the six months ended 30 June 2018 and 2017, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment. The increase in such expense was mainly due to increase in number of restaurants when compared to the same period in 2017.

Income tax expenses

The income tax expenses increased from approximately HK$0.8 million for six months ended 30 June 2017 to approximately HK$1.1 million for the six months ended 30 June 2018.

Finance costs

The Group's finance costs increased from approximately HK$1.9 million for the six months ended 30 June 2017 to approximately HK$3.3 million for the six months ended 30 June 2018 due to the increased amount of loan borrowings from the banks compared to that of the same period in 2017 as well as increase in finance cost aroused from right-of-use assets for the new leases entered for the new restaurants.

Loss for the period

The Group recorded a loss of approximately HK$11.2 million for the six months ended 30 June 2018 as compared to a loss of approximately HK$7.5 million for the corresponding period in 2017. The loss was mainly attributable to the pre-opening expenses and operating losses approximately HK$12.3 million of the two new restaurants incurred during the Review Period.

Financial Resources and Liquidity

Capital structure

There is no change in the capital structure of the Group from 31 December 2017 to 30 June 2018.

Cash position

As at 30 June 2018, the cash and cash equivalents of the Group amounted to approximately HK$38.2 million (31 December 2017: approximately HK$56.4 million), which were mainly denominated in Hong Kong dollar, representing a decrease of approximately 32.3% as compared to that at 31 December 2017. The decrease was mainly due to the investment costs on opening the new restaurants.

Borrowings

As at 30 June 2018, the total borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK$33.4 million (31 December 2017: approximately HK$37.6 million) that bears the weighted average of floating interest rates of approximately 3.7% per annum as at 30 June 2018. No financial instrument was being used for interest rate hedging purpose.

Save as disclosed, the Group did not have other borrowings for the period ended 30 June 2018.

Pledge of assets

As at 30 June 2018, a total of HK$12.8 million pledged deposits provided by the Group held at banks as security for a rental deposit of our lease and as securities for the bank borrowings (31 December 2017: HK$12.8 million).

Gearing ratio

As at 30 June 2018, the gearing ratio of the Group was approximately 41.1% (2017: approximately 41.3%). The slight decrease was attributable to the repayment of bank borrowings during the period ended 30 June 2018. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, divided by the total equity of the Company at the end of the respective period.

Material Acquisitions/Disposals and Significant Investments

Saved as disclosed, there was no material acquisition/disposal of investments during the Review Period.

Capital Commitments

As of 30 June 2018, the Group's outstanding capital commitments were approximately HK$1.6 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and equipment arised from a newly opened restaurant during the Review Period.

Information on Employees

The Group has 337 full-time employees and 56 part-time employees respectively as at 30 June 2018. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2017.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018.

Use of net proceeds from the Listing

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

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

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 sine the Listing Date to the period ended 30 June 2018:

Objectives	Planned use of proceeds from the Listing Date to 30 June 2018	Actual use of proceeds from the Listing Date to 30 June 2018	Total remaining use of proceeds as at 30 June 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$0.4 million**	**HK$2.6 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**	**–**
2. Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	**HK$0.7 million**	**HK$0.5 million**	**HK$0.2 million**
	HK$23.2 million	**HK$20.4 million**	**HK$2.8 million**

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

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

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. During the period ended 30 June 2018, the Group generated 98.3% 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.

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

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

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

3. As at 30 June 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, in the 2017 annual report and in this interim report, the Group did not have other plans for material investments and capital assets as of the date of this report.

COMPARISON OF BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from 5 December 2017 (being the date on which the Company listed on GEM of the Stock Exchange) to the date of this report is set out below:

	Business plan as stated in the Prospectus	Actual business progress up to 30 June 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	Settlement of certain costs for Paper Moon
	Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong	10 Shanghai Restaurant has opened in January 2018
	Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong	Ta-ke Restaurant has opened in March 2018
	Setting up a restaurant under the Modern Shanghai brand in a shopping mall in Guangzhou	Guangzhou Ten Shanghai Food and Beverage Co. Ltd. (十里弄堂) was set-up and opened in Guangzhou during May 2018
	Setting up a restaurant under the Mango Tree brand in a shopping mall in Guangzhou	Guangzhou Mango Tree Food and Beverage Co. Ltd. (芒果樹泰國餐廳) was set-up and opened in Guangzhou during May 2018
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 this objective by (i) increasing sales volume; (ii) optimising restaurant-level staffing; and (iii) maximising the utilisation of food ingredients.

Management Discussion and Analysis

PROSPECT

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

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

We also plan to open or invest in and manage more restaurants under our existing brands, refined brands and new brands. Specifically, we plan to open or invest in and manage seven new restaurants (three in Hong Kong and four in the PRC) in the year ending 31 December 2018, of which two restaurants have been opened in Hong Kong in the first quarter of 2018 and two restaurants have been opened and invested in Guangzhou by a minority stake of 24.9% each in the second quarter of 2018 respectively. For the remaining two new restaurants as originally planned to be opened and invested in PRC, we intend to revise the plan to open these restaurants in mid-2019, we also intend to hold a minority stake of up to approximately 25% in the operating companies of these restaurants and will manage these restaurants.

Hokkaidon

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

Mango Tree Café

Leveraging on the success of launching our Mango Tree Café (Taikoo) Restaurant, we further opened another Mango Tree Café (YOHO) Restaurant in July 2017 in YOHO Mall.

We also plan to expand the restaurant network of Mango Tree in the PRC. We have opened a new restaurant in Guangzhou, namely Guangzhou Mango Tree Food and Beverage Co. Ltd (芒果樹泰國餐廳) on 18 May 2018 and have invested by a minority stake of 24.9% in the company. The restaurant is currently managed by us. We originally planned to open one new Mango Tree Café restaurant in Guangzhou in 2018 while we are still in the process of identifying suitable location for the restaurant, we intend to revise the plan to open the restaurant in mid-2019. We intend to manage the new restaurant and hold minority stake in the company to be set up to operate new restaurant in the PRC.

Paper Moon

Following the closure of our Bella Vita Restaurant, we have decided to relaunch Italian cuisine within our portfolio through a new sub-licensed or franchise brand. In March 2017, we entered into the Paper Moon Sub-license Agreement with the licensee of "Paper Moon", a brand originated from Milan. Our Paper Moon Restaurant, which was the first restaurant under this sub-licensed brand, was opened in September 2017 in Harbour City.

Ta-ke

During the six months ended 30 June 2018, we refined the brand image of our Sushi Ta-ke Restaurant as a new restaurant under the "Ta-ke" brand which offers a broader variety of fine-dining Japanese cuisine, namely Ta-ke Japanese Restaurant. Ta-ke Japanese Restaurant offers three major types of Japanese speciality cuisines namely (i) teppanyaki, (ii) tempura, and (iii) sushi and sashimi. Given the wider cuisine offering, we would require additional space to cater for the equipments and cooking facilities. We have relocated our Sushi Ta-ke Restaurant from Cubus to Lee Garden Two, which has a higher pedestrian flow. The restaurant has commenced its operation on 28 March 2018.

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

Modern Shanghai and 10 Shanghai

In addition to the opening of Ta-ke during the six months ended 30 June 2018, we also developed a senior brand under the Modern Shanghai concept which serves upscale Shanghainese dishes with a more sophisticated layout as compared to our Modern Shanghai Restaurant, namely "10 Shanghai". The restaurant has commenced its operation on 28 January 2018.

To further expand the restaurant network of our Modern Shanghai brand, we have opened a new restaurant in Guangzhou, namely Guangzhou Ten Shanghai Food and Beverage Co. Ltd. (十里弄堂) on 18 May 2018 and have invested by a minority stake of 24.9% in the company. The restaurant is currently managed by us. We originally planned to open one more new 10 Shanghai series restaurant in Guangzhou in 2018 while we are still in the process of identifying suitable location for the restaurant, we intend to revise the plan to open the restaurant in mid-2019. We intend to manage the new restaurant and hold a minority stake in the company to be set up to operate the new restaurant in the PRC.

The Group will continue to exercise due care in identifying adequate opportunities and planning for the opening of new restaurants.

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

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

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

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Notes:

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

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2018, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Notes:

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

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

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

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

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

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

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

The Share Option Scheme will remain in force for a period of ten years commencing on 6 November 2017. For more details, please refer to the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV of the Prospectus. The remaining life of the Share Option Scheme is approximately 9 years and 3 months.

Up to 30 June 2018, no share option has been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CORPORATE GOVERNANCE

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

INTERESTS OF COMPLIANCE ADVISER

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

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has reviewed the interim results for the six months ended 30 June 2018. The Audit Committee is of the view that the condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, sufficient disclosures have already been made.

The condensed consolidated financial results for the six months ended 30 June 2018 are unaudited and have not been audited or reviewed by the Company's auditors.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2018 and up to the date of this report.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2018.

Corporate Governance and Other Information

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2018.

PUBLICATION OF INTERIM REPORT

The interim report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at www.1957.com.hk.

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

Hong Kong, 6 August 2018

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