1957 & Co. (Hospitality) Limited

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

Annual Report 2019

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Leung Chi Tien Steve *(Chairman)*

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Kwok Chi Po
Mr. Fong Chi Wing

COMPANY SECRETARY

Mr. Fong Chi Wing

COMPLIANCE OFFICER

Mr. Kwok Chi Po

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

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

COMPANY'S WEBSITE

www.1957.com.hk

STOCK CODE

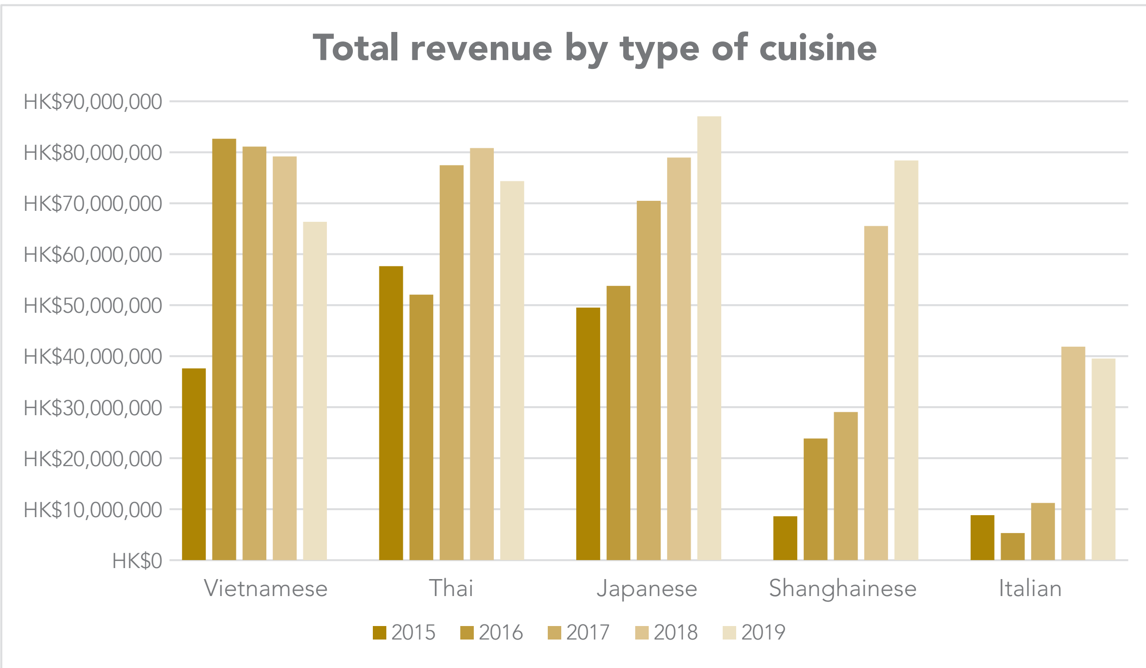
8495

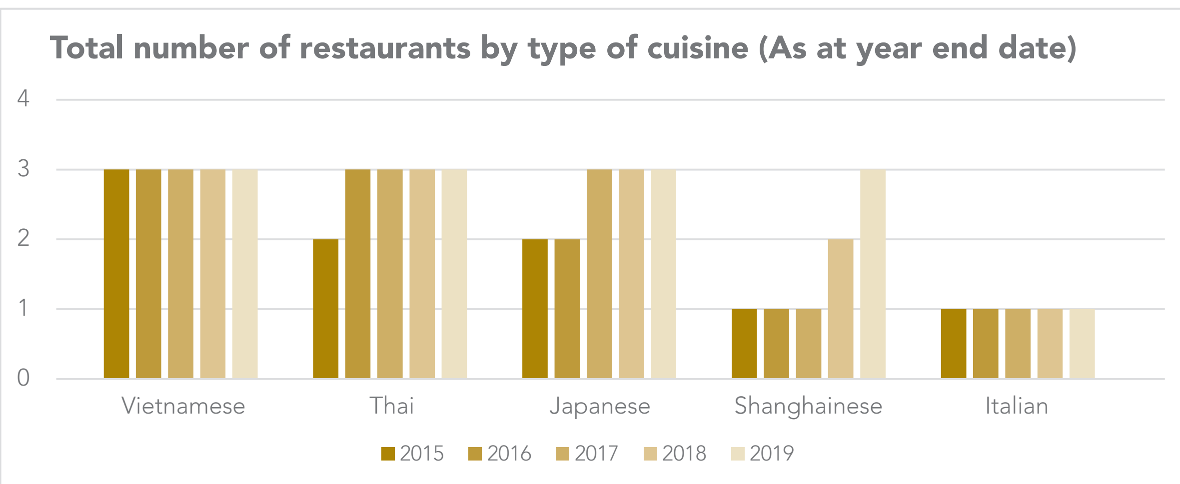
DATE OF LISTING

5 December 2017

Financial Highlights

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**345,736**	348,538	269,992	217,793	161,750
(Loss)/profit before tax, impairment loss on property, plant and equipment and listing expenses	**(5,739)**	(7,153)	6,945	6,456	16
(Loss)/profits before tax	**(17,339)**	(7,153)	(9,049)	1,760	16
Net (loss)/profits attributable to owners of the Company	**(14,189)**	(5,620)	(11,094)	359	643
Total assets	**283,713**	280,943	352,118	202,998	207,367
Total liabilities	**209,074**	198,986	261,125	155,192	183,902
Net assets	**74,639**	81,957	90,993	47,806	23,465





Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to announce the Group's annual results for the year ended 31 December 2019.

This is the second full year after the Company has successfully listed its shares on GEM of the Stock Exchange by way of share offer in December 2017 (the "**Listing**"). We adhered to our concept "Create an Original Lifestyle" throughout the year and opened only one new restaurant, namely Modern Shanghai (Olympian City) Restaurant in the third quarter of 2019 according to our plan as stated in the prospectus of the Company dated 23 November 2017 (the "**Prospectus**"). The Group has adopted a prudent and conservative approach as a result of the rapid downturn of the Hong Kong economy and the increase in the challenging external environment as noted since the third quarter of the financial year. Accordingly, the Group suspended the expansion projects in Hong Kong.

During the year, the Group raised its fund by way of a placing of 64,000,000 shares of the Company at the placing price of HK$0.235 per share on 30 May 2019 (the "**Placing**").The net proceeds in the amount of HK$8.5 million from the Placing were allocated to the opening of the Modern Shanghai (Olympian City) Restaurant in which the restaurant has recorded a stable growth in performance since its opening to the year end. The net proceeds in the amount of HK$2.6 million from the Placing which were originally planned for use as the general working capital have been fully utilised 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 in order to bring a fresh look to the customers after operating in Elements for over six years.

Following the adoption of a prudent and conservative approach and the suspension of the expansion projects in Hong Kong, the Group changed the proposed use of the unutilised net proceeds from the share offer in the amount of HK$3.4 million originally planned to open a restaurant under the Hokkaidon brand in Hong Kong as previously scheduled and announced in our third quarterly report of the Company to a) partly in the amount of HK$2.4 million to the restaurant operations of the Group to cope with the needs which were crucial as noted during the fourth quarter of the year because of a very severe and challenging operating environment being faced by the Group, such as the impacts on loss of revenue arising from the ad-hoc variation or shortening of the opening hours of certain shopping malls of our restaurants located and the impact of loss of revenue arisen from the temporary closure of the entire Festival Walk for a period of approximately two months to conduct the repairing and recovery works where our An Nam (Festival Walk) Restaurant is located and b) partly in the amount of HK$1.0 million for the investment in opening of a new restaurant in Guangzhou, PRC by a minority stake of 15%. The re-allocation of unutilised net proceeds was very important for meeting the Company's operational needs during the fourth quarter of the financial year as a result of the abovementioned rapid downturn of the Hong Kong economy and the increase in the challenging external environment in Hong Kong and to seek for a better investment opportunity by a minor stake of 15% interest for expansion in a relatively less volatile environment outside Hong Kong which is in the best interests of the Company and its shareholders as a whole.

Chairman's Statement

FINANCIAL RESULTS

For the year ended 31 December 2019, the total Group revenue was approximately HK$345.7 million (2018: HK$348.5 million), a year-over-year decrease of approximately 0.8%. Despite recording a quite steady revenue, we still recorded loss for the year attributable to the owners of the Company of approximately HK$14.2 million (2018: approximately HK$5.6 million). The loss-making position was mainly attributable to the impairment loss on property, plant and equipment for two restaurants, namely Ta-ke Japanese Restaurant ("**Ta-ke**") and Mango Tree Café (Yoho) and the operating losses incurred by three restaurants, namely Ta-ke, Mango Tree Café (Yoho) and Petit An Nam (Yoho) Restaurant. The net losses incurred by these three restaurants were approximately HK$23.3 million (inclusive of approximately HK$11.6 million of impairment loss on property, plant and equipment) for the year ended 31 December 2019. Ta-ke is regarded as a higher average spending restaurant among the Group which had suffered most during the downturn of the economy and noted some changes in the customers' spending behavior during the year and the other two restaurants are located in Yoho Mall where the ad-hoc variation or shortening of the opening hours of the shopping mall and the occasionally closure of the directly connected MTR station affected the customers flows in this shopping mall.

Nevertheless, our new restaurant, Modern Shanghai (Olympian City) Restaurant has reached breakeven point in late 2019 and recorded a steadily improved financial performance.

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.

BUSINESS REVIEW AND PROSPECTS

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

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.

During the year and up to the date of this annual report, the Group has opened one new restaurant in Hong Kong namely Modern Shanghai (Olympian City) Restaurant on 20 September 2019. The expansion of our restaurant portfolio can provide freshness to our customers and further diversifies our offerings to broaden our customer bases.

According to the original expansion plan which was disclosed in the Prospectus, three restaurants are scheduled to be opened in Hong Kong, including a new Hokkaidon restaurant is scheduled to be opened in the second half of 2018 and the schedule was delayed to 2019 because the Company was in the process of identifying the desirable location to open this restaurant in Hong Kong in the first half of 2019 and a new Mango Tree brand restaurant was scheduled to be opened in the first half of 2019 but the schedule was delayed because the Company was also in the process of identifying the desirable location to open this restaurant in Hong Kong. Following the adoption of a more prudent and conservative approach in third quarter of 2019 and in view of the slow down of economic growth with economic contraction in Hong Kong, we suspended all the expansion projects in Hong Kong and the remaining two restaurant opening projects were suspended accordingly.

Apart from operating our own restaurants, we also offer restaurant management and consultancy services in Hong Kong and the PRC.

Looking forward, the Company may, from time to time, invest in minority stakes in restaurant businesses in the PRC which carry our brands and are managed by us as and when we consider appropriate. However, in view of the uncertainty brought by the outbreak of Coronavirus Disease 2019 (the "**COVID-19**") in PRC, the Group will be cautious in all investment related decisions.

Furthermore, 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 our restaurants from Hong Kong and Mainland China, the revenue of our restaurants has fallen substantially by approximately 40% in aggregate in February 2020 as compared with the corresponding month in 2019. We are actively taking various measures to lower our operating costs and to mitigate the impact on the Group, including but not limited to negotiating with landlords for rental reductions and with suppliers for purchase discounts and minimising the costs of hiring casual workers. The Company will continue to monitor the operating performance of the restaurants.

During the year of 2019, the Group has opened and invested in a new restaurant (by a minority stake of approximately 15.0% in the holding company of the restaurant, in Guangzhou, namely Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. (廣州芒果樹麗柏餐飲有限公司). We have recorded a share of loss of associates of approximately HK$0.3 million (2018: HK$1.2 million), which was mainly attributable to the large pre-opening expenses and operating losses incurred before achieving breakeven during the initial stage of business operations for the newly opened and an invested restaurant. Nevertheless, we recorded management fee and pre-opening consultancy fee of approximately HK$1.2 million (RMB1.1 million) and HK$0.5 million (RMB0.5 million) from those restaurants during the year of 2019. The Company will continue to closely monitor the performances of its minority stake invested restaurant.

According to the original expansion plan which was disclosed in the Prospectus, two new restaurants in Guangzhou are scheduled to be opened and we consider to invest in them also by a minority stake during the last quarter of 2018 and two restaurants in Shenzhen are scheduled to be opened and we also consider to invest in them by a minority stake during 2019. Save for the abovementioned Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. (廣州芒果樹麗柏餐飲有限公司) which was opened in the year of 2019, there was a delay in the schedule compared with our original plan as the relevant investors and the Group were still in the process of identifying the desirable locations to open the remaining three restaurants during the latter half of 2019. However, in view of the uncertainly brought by the outbreak of COVID-19 in PRC, the Group will be cautious in all investment related decisions.

As at 31 December 2019, the Group has a cash balance of approximately HK$39.7 million and a net cash inflow from the operating activities of approximately HK$68.5 million during the year, we believe that the Group has sufficient cashflow to finance the new restaurant investment projects in PRC, if any, on a minority stake investment basis.

The Group will be cautious in running and further expanding our business by exercising due care in identifying and examining adequate opportunities and planning for the opening and investing in new restaurants with a more conservative approach.

APPRECIATION

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

Leung Chi Tien Steve
Chairman

Hong Kong, 23 March 2020

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 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, 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 of 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, coped 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.

Management Discussion and Analysis

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 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 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 10 Shanghai Restaurant fully operated 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 satisfy 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.

Management Discussion and Analysis

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 annual report. 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.

Management Discussion and Analysis

COMPARISON OF BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from 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 restaurant 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.

Management Discussion and Analysis

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 20 to the consolidated financial statements.

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 bear 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 24 to the consolidated financial statements.

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 ("**HK$**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The transactions and monetary assets denominated in Renminbi ("**RMB**") are minimal for the years ended 31 December 2018 and 2019, the Group considers there have no significant foreign exchange risks in respect of RMB for both years.

TREASURY POLICIES AND RISK MANAGEMENT

As at 31 December 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 annual report, 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 up to 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 latter 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**").

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kwok Chi Po (郭志波), aged 56, is one of our founders, a controlling shareholder and an executive Director of our Group. Mr. Kwok also serves as our chief executive officer. Mr. Kwok is primarily responsible for overseeing the general management and operations of our Group, as well as formulating corporate strategies and overseeing business development. Mr. Kwok is a member of our remuneration committee. Mr. Kwok is also a director of each other members of our Group.

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

Mr. Kwan Wing Kuen Tino (關永權), aged 69, is one of our founders, a controlling shareholder, an executive Director and the vice chairman of our Group. Mr. Kwan is primarily responsible for corporate strategies, business development and oversees the general management and operations of our Group. Mr. Kwan is also a director of our seven subsidiaries, namely 1957 & Co. (BVI) Hospitality Limited; 1957 & Co (Hospitality) HK Limited; 1957 & Co. (Management) Limited; Bella Vita Limited; Sushi Ta-ke Limited; Mango Tree (HK) Limited and Mango Tree (Kowloon) Limited.

Mr. Kwan is one of the world's leading exponents in lighting design, where his involvement in the hospitality industry includes lighting design projects for worldwide luxury hotels, restaurants, commercial buildings, retail shops, residential development projects and private residence.

Mr. Kwan and his wholly owned company, Tino Kwan Lighting Consultants Limited, which celebrated its 40th Anniversary in 2019, have accumulated numerous lighting awards from all around the world, including Hong Kong Ten Most Outstanding Designers Awards & Outstanding Greater China Awards from the Hong Kong Art & Design Festival throughout the past years for their hotel and restaurant projects.

Mr. Kwan obtained a higher diploma in industrial design from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1973. Mr. Kwan has held the title of president of the Asia Pacific Hotel Design Association since 2016 and was awarded the Lifetime Achievement Award by the Hong Kong Designers Association in January 2020.

Mr. Lau Ming Fai (劉明輝), aged 47, is our executive Director and chief operating officer. Mr. Lau joined our Group in April 2014 as chief operating officer and has been in charge of overseeing the Group's operations, including recruitment, business development and formulating operating strategies and policies since then. Mr. Lau is a director of three of our subsidiaries, Hokkaidon Restaurant Limited, L Garden and Partners Limited and 1957 and Partners Limited.

Mr. Lau has over 15 years of experience in the hospitality, catering, food and beverage industries.

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

Mr. Leung Nicholas Nic-hang (梁力恒), aged 27, is our executive Director and is responsible for overseeing the general management and operations of our Group. Mr. Leung joined our Group in August 2015. Mr. Leung is also a director of our subsidiary, 1957 and Partners Limited. Mr. Leung is responsible for refining and tailoring the beverage and wine menu of each of our restaurants, supervising and leading restaurant opening projects, including assessing and approving marketing materials, attending to media or press release, hosting promotional events and handling soft-launching logistic arrangements and official opening arrangements. Mr. Leung is the son of Mr. Leung Chi Tien Steve.

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

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Leung Chi Tien Steve (梁志天), aged 62, is one of our founders, a controlling shareholder, a non-executive Director, the chairman of our Board and the chairman of our nomination committee of our Group. Mr. Leung is primarily responsible for supervising corporate management, operation and development of our Group. Mr. Leung is also a director of nine of our subsidiaries, namely 1957 & Co. (BVI) Hospitality Limited, 1957 & Co. (Hospitality) HK Limited, 1957 & Co. (Management) Limited, Bella Vita Limited, Sushi Ta-ke Limited, Mango Tree (HK) Limited, Mango Tree (Kowloon) Limited, Modern Shanghai (Hong Kong) Food & Beverage Limited and Modern Shanghai (YOHO Midtown) Restaurant Limited. Mr. Leung is the father of Mr. Leung Nicholas Nic-hang.

Mr. Leung is an international renowned architect, interior and product designer born in Hong Kong with over 30 years of experience in the industry. He was honoured as the Winner of the Andrew Martin International Interior Designer of the Year Award 2015, the Oscar of Design.

Prior to this, Mr. Leung set up his architectural and urban planning consultancy in 1987 and later restructured it into Steve Leung Architects Ltd. (SLA) and Steve Leung Designers Ltd. (SLD) in 1997. The Group has grown into one of the largest design practices in Asia, with over 500 experienced designers and professionals, top-notch projects are delivered in over 100 cities worldwide. In the course of his career in architecture and design, Mr. Leung has undertaken projects in restaurant design. His notable works have received high respect globally, including Yuan at Atlantis The Palm, Dubai, Sing Yin at W Hong Kong, Fairwood café, Hong Kong, St. Regis Bar, Macau, and The Eight at the Grand Lisboa Hotel, Macau.

Mr. Leung graduated from the University of Hong Kong and obtained a Bachelor Degree of Arts in Architectural Studies, a Bachelor Degree of Architecture, and a Master of Science in Urban Planning. He is a member of The Hong Kong Institute of Architects and a registered architect of the Architects Registration Board in Hong Kong.

He is devoted to promoting design industry development and education. He served as President 2017-2019 of the International Federation of Interior Architects/Designers (IFI). He is currently the Executive Director of Design Committee of China National Interior Decoration Association (中國室內裝飾協會) and the Director of Hong Kong Design Centre. In 2014, he joined hands with interior designers from Mainland China, Hong Kong and Taiwan to establish "C Foundation" to foster development of the design industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. How Sze Ming (侯思明), aged 43, is an independent non-executive Director. He is also the chairman of our audit committee and a member of our remuneration committee.

Mr. How has over 20 years of experience in investment banking and business assurance industries. Mr. How is currently the managing director/head of corporate finance of Southwest Securities (HK) Capital Limited, a company principally engaged in investment banking and advisory, where he is responsible for corporate finance advisory.

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

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Ruicheng (China) Media Group Limited	Main Board	1640	Since October 2019	Independent non-executive director
Shanghai Zendai Property Limited	Main Board	755	Since May 2017	Independent non-executive director
Forgame Holdings Limited	Main Board	484	Since January 2016	Independent non-executive director
World-Link Logistics (Asia) Holding Limited	Main Board	6083	Since December 2015	Independent non-executive director
Watts International Maritime Engineering Limited	Main Board	2258	Since October 2018	Independent non-executive director

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

Directors and Senior Management

Mr. Ng Wai Hung (吳偉雄), aged 56, is an independent non-executive Director. He is also a member of each of our audit committee and nomination committee.

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

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

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited and KH Investment Holdings Limited)	GEM	8172	Since March 2015	Independent non-executive director
Xinyi Automobile Glass Hong Kong Enterprises Limited	GEM	8328	Since June 2016	Independent non-executive director
Coolpad Group Limited	Main Board	2369	Since January 2018	Non-executive director
Winshine Science Company Limited	Main Board	209	Since May 2019	Independent non-executive director
Fortune Sun (China) Holdings Limited	Main Board	352	June 2006 to September 2017	Independent non-executive director
GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited)	Main Board	493	June 2011 to May 2017	Independent non-executive director
Kingbo Strike Limited	Main Board	1421	June 2015 to June 2017	Independent non-executive director
YTO Express (International) Holdings Limited (formerly known as On Time Logistics Holdings Limited)	Main Board	6123	June 2014 to December 2017	Independent non-executive director
Reliance Global Holdings Limited (formerly known as Sustainable Forest Holdings Limited)	Main Board	723	February 2013 to December 2017	Independent non-executive director
Tech Pro Technology Development Limited	Main Board	3823	April 2011 to March 2017	Independent non-executive director
Trigiant Group Limited	Main Board	1300	August 2011 to August 2017	Independent non-executive director

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

Mr. Chan Kam Kwan Jason (陳錦坤), aged 46, is an independent non-executive Director. Mr. Chan is the chairman of our remuneration committee and also a member of each of our audit committee and nomination committee.

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

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

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Brockman Mining Limited	Main Board	159	Since January 2008	Executive director
Canvest Environmental Protection Group Company Limited	Main Board	1381	Since December 2014	Independent non-executive director
Lajin Entertainment Network Group Limited	GEM	8172	November 2015 to October 2018	Executive director

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

SENIOR MANAGEMENT

Mr. Fong Chi Wing (方志榮), aged 52, was appointed as our chief financial officer on 11 April 2016 and was appointed as our company secretary on 16 February 2017. He is primarily responsible for overseeing the financial management of our Group.

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

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

Directors and Senior Management

Ms. Chan Hang Ming Florence (陳杏明), aged 44, joined our Group on 1 September 2012 as a marketing manager and was promoted to director of marketing and communications on 1 February 2016. She is primarily responsible for overseeing marketing, communications and public relations of all brands of our Group.

Ms. Chan has over 20 years of industry experience and prior to joining us, she served in the marketing and public relations departments of various hospitality groups and public relations firm in Hong Kong, including The Royal Garden, Hotel Nikko, Eaton Hotel, Langham Hospitality Group, JC Group, Furama Hotel and PR Concepts Company Limited and Miramar Group, where she planned and managed the opening of many renowned restaurants, including Inakaya, Teppanyaki Kaika and Dong Lai Shun.

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

COMPANY SECRETARY

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

COMPLIANCE OFFICER

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

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company principally operates full-service restaurants under our self-owned brands and franchised/sublicensed brands in Hong Kong. We also provide restaurant pre-opening and management consultancy services in Hong Kong and the PRC. Analysis of the principal activities of the Group during the year ended 31 December 2019 is set out in the note 1 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review are set out in the section of "Management Discussion and Analysis" on page 8. An analysis using financial key performance indicators can be found in the "Management Discussion and Analysis" on pages 9 to 20 of this annual report.

SEGMENT INFORMATION

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

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

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 61 to 62 of this annual report.

FINAL DIVIDENDS

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

FINANCIAL SUMMARY

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing of the Company on GEM of the Stock Exchange (after deducting underwriting fees and related expenses) amounted to approximately HK$24.3 million, which are intended to be applied in the manner as disclosed in the Prospectus. For details, please refer to the section under "Use of net proceeds from the Listing" on page 13 of this annual report.

Report of Directors

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

Due to the nature of our business, the majority of our customers consist of retail customers from the general public. As such, our Directors consider that it is not practicable to identify the five largest customers of our Group for the year ended 31 December 2019 and we did not rely on any single customer during the year. For instance, none of our customers accounted for 5% or more of our revenue for the year ended 31 December 2019.

Major Suppliers

For the year ended 31 December 2019, the Group's five largest suppliers accounted for 25.9% (2018: 28.8%) of the Group's total purchases and our single largest supplier accounted for 7.2% (2018: 7.5%) of the Group's total purchases.

During the year ended 31 December 2019, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers as identified above.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2019 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2019 are set out in note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out on page 65 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution amounted to approximately HK$68.4 million (2018: HK$68.3 million) as calculated base on the Company's share premium less accumulated losses.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2019 are set out in notes 24 and 29(b) to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors

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

Non-executive Director

Mr. Leung Chi Tien Steve *(Chairman)*

Independent Non-executive Directors

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

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

Accordingly, Mr. Kwan Wing Kuen Tino, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason shall hold office until the forthcoming annual general meeting to be held on 29 May 2020 (the "**AGM**"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 31 March 2020.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 26 of this annual report.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Upon specific enquiry by the Company, save as disclosed in the section headed "Directors and Senior Management" in this annual report, since the Company's last published interim report and up to the date of this annual report as set out below, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the GEM Listing Rules.

Mr. How Sze Ming was appointed as the independent non-executive director of Ruicheng (China) Media Group Limited (stock code: 1640), a company listed on the Stock Exchange on 12 November 2019.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year and remain so as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

EMPLOYEES AND REMUNERATION POLICY

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

Details of the emoluments of the Directors, and five highest paid individuals of the Group during the year ended 31 December 2019 are set out in notes 10 and 30 to the consolidated financial statements.

As at 31 December 2019, the Group had 354 full time and 53 part-time employees. The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. The Company also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. In order to retain quality employees, the Group offers competitive remuneration and incentive schemes. We have also operated a staff bonus scheme and contributed to such scheme since December 2014. The Company regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

The Group joined the Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all of its employees employed under the Hong Kong Employment Ordinance. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Currently, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

The retirement benefit scheme cost charged to the consolidated statement of profit or loss and other comprehensive represents contributions payable by the Group to the funds and is expensed as incurred. During the year, the retirement benefit scheme contributions borne by the Group amounted to HK$4,950,000 (2018: HK$6,564,000). No forfeited contribution for the Group is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

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

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Kwan Wing Kuen Tino ("**Mr. Kwan**")	Interest in controlled corporation/ beneficial owner (Note 1)	64,000,000	Long	16.67%
Kwok Chi Po ("**Mr. Kwok**")	Interest in controlled corporation (Note 2)	15,362,400	Long	4.00%
Leung Chi Tien Steve ("**Mr. Leung**")	Interest in controlled corporation (Note 3)	90,256,800	Long	23.50%

Notes:

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

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

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

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2019, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Kwan Wai Ling Alicia	Interest of spouse (Note 1)	64,000,000	Long	16.67%
1957 & Co. Limited	Interest in controlled corporation (Note 2)	90,256,800	Long	23.50%
All Victory Global Limited	Beneficial owner (Note 2)	22,680,000	Long	5.91%
Sino Explorer Limited	Beneficial owner (Note 2)	67,576,800	Long	17.60%
Chan Siu Wan	Interest of spouse (Note 3)	90,256,800	Long	23.50%
Leung Shuk Yee Winnie ("**Ms. Leung**")	Interest in controlled corporation (Notes 4 & 5)	19,764,000	Long	5.15%
Pearl Global Development Limited	Beneficial owner (Note 4)	19,764,000	Long	5.15%
Perfect Emperor Limited	Beneficial owner	60,000,000	Long	15.63%
Poon Hok Ming ("**Mr. Poon**")	Interest of spouse (Note 5)	19,764,000	Long	5.15%

Notes:

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

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

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

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

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

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

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

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

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

As at 31 December 2019, the total number of shares of the Company in respect of which share options may be granted under the Share Option Scheme shall not exceed 38,400,000 ordinary shares, being 10% of the total number of ordinary shares of the Company in issue as at the date after the Placing. The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.

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

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

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

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

The Share Option Scheme will remain in force for a period of ten years commencing on 6 November 2017. For more details, please refer to the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV of the Prospectus. The remaining life of the Share Option Scheme is approximately 7 years and 8 months.

Up to 31 December 2019, no share option has been granted under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

NON-COMPETITION UNDERTAKING

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the 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.

CONNECTED TRANSACTION

Connected relationship

The Group has entered into two joint venture agreements with, among others, two indirectly wholly-owned subsidiaries of Hysan Development Company Limited ("**Hysan**") in respect of the formation of two joint venture companies to open and operate two restaurants offering Japanese and Shanghainese cuisine in Lee Garden Two, Causeway Bay in 2017. The two joint venture companies have been incorporated and are subsidiaries of the Company, of which 29% equity interest are owned by Hysan (through its relevant indirectly wholly-owned subsidiary). Therefore, Hysan and its subsidiary (the "**Hysan Group**") (including the various landlords and licensor under the lease and licence agreement and the existing connected leases and licence agreements) is a connected person of the Company at the subsidiary level.

Connected transaction and connected lease and licence agreement

The Company entered into the lease and licence agreement (the "**Connected Lease and Licence Agreement**") with Hysan Group during the year in respect of the renewal of lease or licence of certain properties or areas from Hysan Group, which is located in Lee Garden One, a shopping mall in Causeway Bay (the "**Location**") to our Group for our restaurant operations by Gonpachi Restaurant and An Nam Restaurant, and the transactions contemplated under the Connected Lease and Licence Agreement based on the value of the right-of-use asset recognized by the Group pursuant to HKFRS 16 constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

Summary of terms for the Connected Lease and Licence Agreement

Agreement Date	:	30 April 2019
Parties		
— Tenant/Licensee	:	1957 & Co. (Management) Limited, an indirectly wholly-owned subsidiary of the Company
— Landlord/Licensor	:	Perfect Win Properties Limited, an indirectly wholly-owned subsidiary of Hysan
Location	:	4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, certain areas on 4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Term of lease/licence	:	3 years commencing from 1 June 2019 to 31 May 2022 (both days inclusive)
Monthly rent/licence fee and other charges (exclusive of rates and other outgoings)	:	— a fixed basic rent — turnover rent of a fixed percentage of monthly gross sales exceeding basic rent set out above — fixed operating charges and promotional levy — a fixed license fee inclusive of operating charges and promotional levy
Total consideration	:	Approximately HK$29.3 million

Reasons for and benefits of the Connected Lease and Licence Agreement

The Group's Gonpachi Restaurant and An Nam Restaurant have been operated at the Location since 2013. The Board believes that, taking into account the historical performance of the restaurants, the renewal of the lease agreement and license agreement for the Location will enable the Company to secure the Location for Gonpachi Restaurant and An Nam Restaurant to operate until 2022.

NON-FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2019, the Company has also entered into certain continuing connected transactions with connected persons (as defined under the GEM Listing Rules) which were not fully-exempted from reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 20 of the GEM Listing Rules (the "**Non-fully Exempted Continuing Connected Transactions**"). Details of which are set out below. The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

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

(b) on normal commercial terms or better; and

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

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

Leases and licence of premises from substantial shareholder of our subsidiaries

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

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

Leasing of properties — operating lease rental/license fee paid

Name of counterparty (Note 1)	Date of agreement	Leased premises	Terms	Amount for the year (HK$'000)	Annual Cap (HK$'000) (Note 2)
(1) Perfect Win Properties Limited	30 April 2019	4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	From 1 June 2019 to 31 May 2022	222	300
(2) Barrowgate Limited	17 August 2017	Shop No. G01, G/F Lee Garden two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2017 to 30 September 2022	6,622	7,800
(3) Barrowgate Limited	17 August 2017	Shop No. 101, 1/F, Lee Garden two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2017 to 30 September 2022	6,074	6,900
			Total	12,918	15,000

Note 1: Each of these companies is a member of the Hysan Group, which is a connected person of the Company by virtue of being a substantial shareholder of certain subsidiaries of the Group.

Note 2: The basis of determination annual cap for the leased premises of 4/F Lee Garden One is primarily based on the annual turnover rent and the extra operating charges while excluded the base rent (which has been separately taken into account as a connected transaction as set out in the section "Connected Transaction" above) according to the relevant requirements under the GEM Listing Rules.

The basis of determination of the existing annual caps for the leased premises of Shop No. G01 and Shop No. 101 respectively in Lee Garden Two are based on the maximum aggregate rental amount payable including rent (monthly base rental payment and turnover rent)/licence fee, promotional levy and operating charges but exclusive of rates and other outgoings.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Directors engaged the auditor of the Company to perform certain work on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors and confirmed that, for the year ended 31 December 2019:

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

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

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

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

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

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

DONATIONS

During the year, the charitable and other donations made by the Group amounted to approximately HK$4,000.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2019, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to providing an environmental friendly culture and atmosphere within the Group. The Group has undertaken environmental protection measures such as (i) reduction of use of papers; (ii) minimisation of electricity consumption outside business hours; and (iii) recycling of waste cooking oil. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 December 2019. A separate environmental, social and governance report is expected to be published on the websites of the Stock Exchange and the Company no later than three months after the publication of this annual report.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

PERMITTED INDEMNITY PROVISION

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

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 33 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 41 to 55 of this annual report.

The compliance officer and company secretary of the Company are Mr. Kwok Chi Po and Mr. Fong Chi Wing respectively. Their biographical details are set out on page 26 of this annual report.

INTERESTS OF COMPLIANCE ADVISER

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

PricewaterhouseCoopers was appointed as the Auditor for the year ended 31 December 2019. The accompanying financial statements prepared in accordance with HKFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Auditor for the year ending 31 December 2020 will be proposed at the AGM.

PUBLICATION OF INFORMATION ON WEBSITES

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

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 26 May 2020 to 29 May 2020, both days inclusive, during which period no transfer of the shares will be registered. To be eligible to attend the AGM, Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 May 2020.

On behalf of the Board

Kwok Chi Po
Executive Director

Hong Kong, 23 March 2020

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

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

THE BOARD

Responsibilities

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

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

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

Board Composition

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

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

Non-executive Director:
Mr. Leung Chi Tien Steve *(Chairman)*

Independent Non-executive Directors:
Mr. How Sze Ming
Mr. Ng Wai Hung
Mr. Chan Kam Kwan Jason

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

Corporate Governance Report

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

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

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

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

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

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

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

Induction and Continuous Professional Development

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

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

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2019 is as follows:

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

Notes:

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

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

Corporate Governance Report

Chairman and Chief Executive Officer

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

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

Appointment and Re-election of Directors

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

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

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

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

During the year, Mr. Lau Ming Fai, Mr. Leung Nicholas Nic-hang and Mr. How Sze Ming had retired and been re-elected at the annual general meeting of the Company held on 29 May 2019.

Mr. Kwan Wing Kuen Tino, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason will hold office until the forthcoming AGM and retire from office by rotation and will be eligible for re-election and re-appointment.

Board Meetings

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

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

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

During the year, five board meetings and a general meeting were held and the attendance of each Director at these meetings is set out in the table below:

Directors	Board meeting(s)	Attended/Eligible to attend the Annual General Meeting
Executive Directors:		
Mr. Kwok Chi Po	5/5	1/1
Mr. Kwan Wing Kuen Tino	5/5	1/1
Mr. Lau Ming Fai	5/5	1/1
Mr. Leung Nicholas Nic-hang	5/5	1/1
Non-executive Director:		
Mr. Leung Chi Tien Steve	5/5	1/1
Independent Non-executive Directors:		
Mr. How Sze Ming	5/5	1/1
Mr. Ng Wai Hung	4/5	0/1 (Note 1)
Mr. Chan Kam Kwan Jason	5/5	0/1 (Note 1)

(Note 1) The Director has other business engagement on the date of Annual General Meeting.

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.

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

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

BOARD COMMITTEES

Audit Committee

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

The principal duties of the Audit Committee include the following:

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

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

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

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

During the year, four audit committee meetings were held and the attendance of each Director at these meetings is set out in the table below:

	Attended/Eligible to attend the committee meeting(s)
Independent Non-executive Directors:	
Mr. How Sze Ming *(Chairman)*	4/4
Mr. Ng Wai Hung	3/4
Mr. Chan Kam Kwan Jason	4/4

- reviewed the two quarterly and one interim results and reports of the Group for the respective quarterly and interim periods during the year prepared by the finance and management team relating to accounting issues and major findings;

- reviewed the annual results of the Group for the year ended 31 December 2019 as well as the audit report prepared by the Auditor relating to accounting issues and major findings in course of audit; and

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

Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

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

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

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

During the year, one nomination committee meeting was held and the attendance of each Director at the meeting is set out in the table below:

Directors	Attended/Eligible to attend the committee meeting
Non-executive Director:	
Mr. Leung Chi Tien Steve *(Chairman)*	1/1
Independent Non-executive Directors:	
Mr. Ng Wai Hung	1/1
Mr. Chan Kam Kwan Jason	1/1

Board Diversity Policy

On 7 November 2017, the Board adopted a board diversity policy, a summary of which is set out below:

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

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

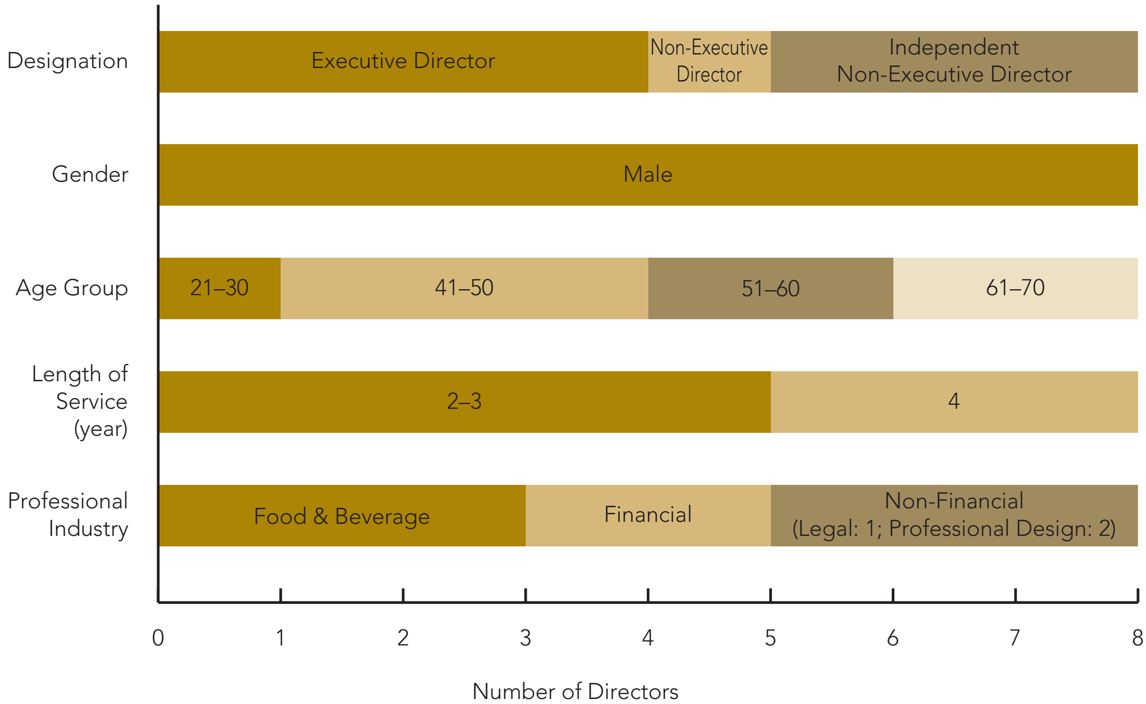
3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board; and

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

The Board Diversity Policy is available on the website of the Company for public information.

As at the date of this annual report, the Board's composition under major diversified perspectives was summarised as follows:

Board Diversity



During the year, the Nomination Committee conducted reviews and made corresponding recommendations to the Board in respect of the following matters:

1. The size, structure and composition of the Board and its list;

2. The re-election of members of the Board retiring at the 2019 annual general meeting of the Company; and

3. An annual assessment of the independence of each independent non-executive Director.

Remuneration Committee

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

The principal duties of the Remuneration Committee include the following:

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

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

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

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

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

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

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

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

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

During the year, one remuneration committee meeting was held and the attendance of each Director at the meeting is set out in the table below:

Directors	**Attended/Eligible to attend the committee meeting**
Executive Director:	
Mr. Kwok Chi Po	1/1
Independent Non-executive Directors:	
Mr. How Sze Ming	1/1
Mr. Chan Kam Kwan Jason *(Chairman)*	1/1

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 21 to 26 of this annual report, for the year ended 31 December 2019 are set out below:

Remuneration band(s)	Number of individuals
Nil to HK$1,000,000	7
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	1

During the year, the Remuneration Committee reviewed the remuneration package of executive Directors and senior management and the Directors' fees proposal and made recommendation to the Board.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 56 to 60 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

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

Risk Management and Internal Controls Framework

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

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

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

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

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

Risk Management

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

1. Identify risks;

2. Analyse risks;

3. Evaluate risks; and

4. Treat risks.

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

Internal Controls

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

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

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

Review of Risk Management and Internal Control Systems

In respect of the year ended 31 December 2019, the Board considers the risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. A review on the risk management and internal control systems is conducted on an annual basis.

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

Disclosure of Inside Information

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 December 2019 is set out in the section headed "Independent Auditor's Report" in this annual report.

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

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2019 was approximately as follows:

	Amount (HK$'000)
Audit services	930
Non-audit services related to tax compliance and advisory services	276
Non-audit services related to internal control review consulting	200
Total	1,406

COMPANY SECRETARY

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

During the year ended 31 December 2019, Mr. Fong has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

DIVIDEND POLICY

Policy on payment of dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, including the Group's actual and expected financial performance, shareholders' interests, retained earnings and distributable reserves of the Company and each of the other members of the Group, the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject, possible effects on the Group's creditworthiness, any restrictions on payment of dividends that may be imposed by the Group's lenders, the Group expected working capital requirements and future expansion plans, liquidity position and future commitments at the time of declaration of dividend, taxation considerations, statutory and regulatory restrictions, general business conditions and strategies, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and other factors that the Board deems appropriate. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

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

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company by mail to Room 702, 7/F, 101 King's Road, Hong Kong or by email: investor@1957.com.hk. Share registration matters shall be handled for the Shareholders by the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

CONCLUSION

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

Independent Auditor's Report

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of 1957 & Co. (Hospitality) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 124, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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KEY AUDIT MATTERS

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

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

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

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	6	**345,736**	348,538
Other gains and income, net	7	**1,946**	64
Cost of inventories sold		**(88,119)**	(88,141)
Employee benefit expenses	10	**(120,254)**	(121,702)
Depreciation and amortisation		**(79,622)**	(75,139)
Royalty fees		**(4,715)**	(5,250)
Rental expenses	22	**(7,415)**	(8,574)
Utilities		**(9,376)**	(9,425)
Impairment loss on property, plant and equipment	13	**(11,600)**	–
Other operating expenses	9	**(38,130)**	(40,225)
Operating (loss)/profit		**(11,549)**	146
Finance income		**77**	53
Finance costs		**(5,616)**	(6,182)
Finance costs, net	8	**(5,539)**	(6,129)
Share of losses of associates		**(251)**	(1,170)
Loss before income tax		**(17,339)**	(7,153)
Income tax expense	11	**(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	12	**(3.97)**	(1.76)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'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)

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

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**202,735**	199,997
Intangible assets	14	**1,416**	1,632
Interest in associates	16	**3,808**	3,117
Deferred tax assets	25	**9,788**	9,114
		217,747	213,860
Current assets			
Inventories	18	**2,090**	2,294
Trade receivables	17	**3,736**	4,855
Prepayments, deposits and other receivables	17	**5,166**	4,694
Amounts due from related parties	29(b)	**54**	108
Tax recoverable		**2,122**	900
Pledged bank deposits	19	**13,082**	12,853
Cash and cash equivalents	19	**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	20	**38**	32
Share premium	20	**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

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

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	22	**87,574**	86,933
Deferred income tax liabilities	25	**36**	45
		87,610	86,978
Current liabilities			
Trade payables	21	**13,920**	14,554
Accruals and other payables	21	**17,720**	20,366
Lease liabilities	22	**59,548**	43,175
Contract liabilities	23	**1,519**	1,681
Income tax payable		**576**	151
Amounts due to related parties	29(b)	**–**	2,851
Loans from non-controlling shareholders	29(b)	**7,600**	–
Bank borrowings	24	**20,581**	29,230
		121,464	112,008
Total liabilities		**209,074**	198,986
Total equity and liabilities		**283,713**	280,943

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

The financial statements on pages 61 to 124 were approved by the Board of Directors on 23 March 2020 and were signed on its behalf.

Kwok Chi Po
Director

Leung Chi Tien Steve
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to the owners of the Company							
	Share capital (Note 20) HK$'000	Share premium (Note 20) HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2018	32	86,773	(2,983)	(2)	(12,807)	71,013	19,980	90,993
Comprehensive income								
Loss for the year	–	–	–	–	(5,620)	(5,620)	(4,443)	(10,063)
Other comprehensive income								
Currency translation differences	–	–	–	(425)	–	(425)	(68)	(493)
Total comprehensive loss	–	–	–	(425)	(5,620)	(6,045)	(4,511)	(10,556)
Transactions with owners								
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	1,520	1,520
Total transactions with owners	–	–	–	–	–	–	1,520	1,520
Balance at 31 December 2018	32	86,773	(2,983)	(427)	(18,427)	64,968	16,989	81,957

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to the owners of the Company							
	Share capital (Note 20) HK$'000	Share premium (Note 20) HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2019	32	86,773	(2,983)	(427)	(18,427)	64,968	16,989	81,957
Comprehensive income								
Loss for the year	–	–	–	–	(14,189)	(14,189)	(3,553)	(17,742)
Other comprehensive income								
Currency translation differences	–	–	–	(186)	–	(186)	(3)	(189)
Total comprehensive loss	–	–	–	(186)	(14,189)	(14,375)	(3,556)	(17,931)
Transactions with owners								
Issue of ordinary shares	6	14,207	–	–	–	14,213	–	14,213
Dividends paid	–	–	–	–	–	–	(3,600)	(3,600)
Total transactions with owners	6	14,207	–	–	–	14,213	(3,600)	10,613
Balance at 31 December 2019	38	100,980	(2,983)	(613)	(32,616)	64,806	9,833	74,639

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Loss before income tax	**(17,339)**	(7,153)
Adjustments for:		
— Depreciation and amortisation	**79,622**	75,139
— Loss on disposal of property, plant and equipment	**–**	278
— Impairment loss on property, plant and equipment	**11,600**	–
— Share of losses of associates	**251**	1,170
— Finance income	**(77)**	(53)
— Finance expenses	**5,616**	6,182
Operating cash flows before changes in working capital	**79,673**	75,563
Changes in working capital:		
— Inventories	**204**	(618)
— Trade and other receivables	**647**	16,327
— Trade and other payables	**(1,726)**	4,606
— Contract liabilities	**(162)**	884
— Amount due to a non-controlling shareholder of a subsidiary	**–**	(107)
— Amounts due from associates	**53**	80
— Amount due to related party	**(2,851)**	2,851
Cash generated from operations	**75,838**	99,586
Interest paid	**(5,616)**	(6,182)
Income tax paid	**(1,753)**	(5,034)
Net cash generated from operating activities	**68,469**	88,370
Cash flows from investing activities		
Pledged bank deposits	**(229)**	(18)
Purchase of property, plant and equipment	**(18,963)**	(39,506)
Proceeds from disposal of property, plant and equipment	**150**	–
Investment in associates	**(990)**	(4,638)
Interest received	**77**	53
Net cash used in investing activities	**(19,955)**	(44,109)

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from financing activities		
Capital contribution from non-controlling shareholder of subsidiaries	–	1,520
Loans from non-controlling shareholders of subsidiaries	4,700	–
Repayment of bank borrowings	(8,649)	(8,384)
Payment of lease liabilities	(56,700)	(52,327)
Dividends paid	(3,600)	–
Net proceeds from issue of ordinary shares	14,213	–
Net cash used in financing activities	(50,036)	(59,191)
Net decrease in cash and cash equivalents	(1,522)	(14,930)
Cash and cash equivalents at 1 January	41,379	56,424
Effect of foreign exchange rate changes	(141)	(115)
Cash and cash equivalents at 31 December	39,716	41,379

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

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

	Borrowings HK$'000	Lease Liabilities (current) HK$'000	Lease Liabilities (non-current) HK$'000	Loans from non-controlling shareholders HK$'000	Total HK$'000
At 1 January 2018	37,614	53,650	136,337	–	227,601
Cash flows					
— Outflow from financing activities	(8,384)	(52,327)	–	–	(60,711)
— Outflow from operating activities	(1,162)	(5,020)	–	–	(6,182)
Non-cash changes					
— Finance cost	1,162	5,020	–	–	6,182
— Amendment of lease liabilities	–	(10,759)	–	–	(10,759)
— Addition to lease liabilities	–	1,489	1,718	–	3,207
— Transfer from non-current portion to current portion	–	51,122	(51,122)	–	–
At 31 December 2018	29,230	43,175	86,933	–	159,338
At 1 January 2019	**29,230**	**43,175**	**86,933**	**–**	**159,338**
Cash flows					
— (Outflow)/inflow from financing activities	**(8,649)**	**(56,700)**	**–**	**4,700**	**(60,649)**
— Outflow from operating activities	**(937)**	**(4,679)**	**–**	**–**	**(5,616)**
Non-cash changes					
— Finance cost	**937**	**4,679**	**–**	**–**	**5,616**
— Lease modification	**–**	**29,684**	**20,525**	**–**	**50,209**
— Addition to lease liabilities	**–**	**8,301**	**18,104**	**–**	**26,405**
— Transfer from non-current portion to current portion	**–**	**37,988**	**(37,988)**	**–**	**–**
— Others	**–**	**(2,900)**	**–**	**2,900**	**–**
At 31 December 2019	**20,581**	**59,548**	**87,574**	**7,600**	**175,303**

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

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, 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 the GEM of The Stock Exchange of Hong Kong Limited ("GEM") on 5 December 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

The following 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.

(v) 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 borrowing 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) *Business combinations*

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

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

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

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

2.2.2 Separate financial statements

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

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

2.3 Non-controlling interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates

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

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

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

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

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

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

2.5 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

2.7 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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

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

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

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

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

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

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

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

2.8 Intangible assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

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

2.10 Financial assets

(i) Classification

The Group classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(iv) Impairment

The Group has the following types of financial assets subject to HKFRS 9's new expected credit loss model:

- Trade receivables
- Deposits and other receivables
- Pledged deposits
- Cash and cash equivalents

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime losses to be recognised from initial recognition of the receivables.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition, then impairment is measured as lifetime expected credit losses.

To manage risk arising from pledged deposits and cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

2.11 Offsetting financial instruments

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

2.12 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Borrowing costs

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

2.19 Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (Continued)

(iii) Offsetting

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

2.20 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Bonus Entitlement

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

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

(iii) Pension obligation

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

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

(iv) Long service payments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provision

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

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

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

2.22 Revenue recognition

(i) Revenue from operation of restaurants

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

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

(ii) Revenue from catering management and consultancy services

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

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

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

(iii) Customer loyalty programme

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Interest income

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

2.24 Dividend distribution

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

2.25 Leases

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

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

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

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

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

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(i) Market risk

(a) Foreign exchange risk

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

(b) Interest rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. As at 31 December 2019, the Group's borrowings at variable rate were denominated in the HK$ (2018: same).

At 31 December 2019, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis higher/lower with all other variables held constant, post-tax loss for the year would have been HK$86,000 (2018: HK$122,000) higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

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

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

	Repayable on demand HK$'000	**Less than 1 year** HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**Total** HK$'000
At 31 December 2018					
Trade payables	–	14,554	–	–	14,554
Other payables and accruals	–	17,989	–	–	17,989
Lease liabilities	–	46,678	40,233	50,407	137,318
Bank borrowings	31,160	–	–	–	31,160
	31,160	79,221	40,233	50,407	201,021
At 31 December 2019					
Trade payables	**–**	**13,920**	**–**	**–**	**13,920**
Other payables and accruals	**–**	**15,072**	**–**	**–**	**15,072**
Lease liabilities	**–**	**64,037**	**53,792**	**37,089**	**154,918**
Loans from non-controlling shareholders (Note 29(b))	**7,600**	**–**	**–**	**–**	**7,600**
Bank borrowings	**21,648**	**–**	**–**	**–**	**21,648**
	29,248	**93,029**	**53,792**	**37,089**	**213,158**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner to procure adequate financial resumes from the owner. The Group's overall strategy remains consistent during the years ended 31 December 2018 and 2019.

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

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

The gearing ratios as at 31 December 2018 and 2019 are as follows:

	2019 **HK$'000**	2018 HK$'000
Total borrowings	**28,181**	29,230
Less: cash and cash equivalents	**(39,716)**	(41,379)
Net cash	**(11,535)**	(12,149)
Total equity	**74,639**	81,957
Total capital	**63,104**	69,808
Gearing ratio	**N/A**	N/A

As at 31 December 2019, the Group had a net cash position and its cash and cash equivalents exceeded the total balance of borrowings by HK$11,535,000 (2018: HK$12,149,000) respectively. Accordingly, the analysis on the Group's gearing ratio is not presented in the consolidated financial statements.

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(i) Impairment of property, plant and equipment

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

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

(ii) Customer loyalty award credits

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(iii) Income taxes

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

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

5 SEGMENT INFORMATION

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

The CODM assesses the performance based on a measure of segment profit, which is a measure of adjusted 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.

5 SEGMENT INFORMATION (CONTINUED)

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

Segment revenue and results

Year ended 31 December 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)

5 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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).

5 SEGMENT INFORMATION (CONTINUED)

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 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.

6 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

7 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

8 FINANCE COSTS, NET

	2019 HK$'000	2018 HK$'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)

9 OTHER OPERATING EXPENSES

	2019 **HK$'000**	2018 HK$'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

10 EMPLOYEE BENEFIT EXPENSES

	2019 **HK$'000**	2018 HK$'000
Wages, salaries, bonus and other benefits	**115,304**	115,138
Pension costs — defined contribution plans	**4,950**	6,564
	120,254	121,702

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included two (2018: same) directors whose emoluments are reflected in the analysis presented in Note 30. The emoluments payable to the remaining three (2018: same) individuals during the years ended 31 December 2019 and 2018 are as follows:

	2019 **HK$'000**	2018 HK$'000
Basic salaries, allowances and benefits	**2,469**	2,604
Discretionary bonuses	**256**	347
Employer's contribution to pension scheme	**54**	54
	2,779	3,005

The emoluments fell within the following bands:

	2019	2018
	Number of individuals	
Emolument bands (in HK dollar)		
HK$500,001–HK$1,000,000	**2**	2
HK$1,000,000–HK$1,500,000	**1**	1

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2019 (2018: same).

11 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

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

	2019	2018
	HK$'000	HK$'000
Loss before income tax	**(17,339)**	(7,153)
Share of results of associates	**251**	1,170
	(17,088)	(5,983)
Tax calculated at a tax rate of 16.5%	**(2,820)**	(987)
Tax reduction	**(88)**	(120)
Income not subject to tax	**(11)**	(9)
Expenses not deductible for tax purposes	**564**	673
Over-provision in prior year	**(228)**	(181)
Tax losses and other temporary differences for which no deferred income tax asset was recognised	**2,986**	3,534
Income tax	**403**	2,910

12 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.

13 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture and fixture HK$'000	Kitchen and operating equipment HK$'000	Computer equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2018							
Cost	303,241	77,391	5,221	13,625	1,952	–	401,430
Accumulated depreciation	(110,022)	(37,093)	(3,482)	(6,517)	(904)	–	(158,018)
Net book amount	193,219	40,298	1,739	7,108	1,048	–	243,412
Year ended 31 December 2018							
Opening net book amount	193,219	40,298	1,739	7,108	1,048	–	243,412
Additions	3,207	32,856	2,407	3,311	608	156	42,545
Amendment to right-of-use asset	(10,759)	–	–	–	–	–	(10,759)
Disposal	–	(259)	–	(13)	(6)	–	(278)
Depreciation	(52,398)	(18,079)	(1,080)	(2,777)	(576)	(13)	(74,923)
Closing net book amount	133,269	54,816	3,066	7,629	1,074	143	199,997

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture and fixture HK$'000	Kitchen and operating equipment HK$'000	Computer equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 31 December 2018							
Cost	292,910	106,354	7,565	16,602	2,461	156	426,048
Accumulated depreciation	(159,641)	(51,538)	(4,499)	(8,973)	(1,387)	(13)	(226,051)
Net book amount	133,269	54,816	3,066	7,629	1,074	143	199,997
Year ended 31 December 2019							
Opening net book amount	133,269	54,816	3,066	7,629	1,074	143	199,997
Additions	26,405	13,068	2,135	1,731	346	–	43,685
Lease modification	50,209	–	–	–	–	–	50,209
Disposal	–	–	–	(150)	–	–	(150)
Impairment	(6,986)	(3,821)	(296)	(463)	(34)	–	(11,600)
Depreciation	(56,857)	(18,219)	(969)	(2,681)	(649)	(31)	(79,406)
Closing net book amount	146,040	45,844	3,936	6,066	737	112	202,735
At 31 December 2019							
Cost	369,524	119,422	9,700	18,183	2,807	156	519,792
Accumulated depreciation and impairment	(223,484)	(73,578)	(5,764)	(12,117)	(2,070)	(44)	(317,057)
Net book amount	146,040	45,844	3,936	6,066	737	112	202,735

14 INTANGIBLE ASSETS

	2019 HK$'000	2018 HK$'000
At 1 January		
Cost	**2,112**	2,112
Accumulated amortisation	**(480)**	(264)
Net book amount	**1,632**	1,848
Opening net book amount	**1,632**	1,848
Amortisation charge	**(216)**	(216)
Closing net book amount	**1,416**	1,632
At 31 December		
Cost	**2,112**	2,112
Accumulated amortisation	**(696)**	(480)
Net book amount	**1,416**	1,632

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

15 SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2019.

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group 2019	2018
Directly held by group:					
1957 & Co. (BVI) Hospitality Limited	BVI, limited liability company	Investment holding in BVI	1 ordinary share, US$ 1	**100%**	100%
Indirect Interests:					
1957 & Co. (Hospitality) HK Limited	Hong Kong, limited liability company	Investment holding and ownership of trade marks in Hong Kong	33,500,000 ordinary shares, HK$1,000,000	**100%**	100%
1957 & Co. (Management) Limited	Hong Kong, limited liability company	Restaurant management and consultancy services in Hong Kong	1,000,000 ordinary shares, HK$1,000,000	**100%**	100%
1957 & Co. (Shenzhen) Restaurant Management Limited 一九五七(深圳)餐飲管理有限公司	People's Republic of China, limited liability company*	Restaurant management and consultancy services in the PRC	Registered capital of US$200,000	**100%**	100%
1957 and Partners Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	100 ordinary shares, HK$100	**51%**	51%
An Nam (Festival Walk) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	1,000,000 ordinary shares, HK$1,000,000	**100%**	100%
An Nam Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	10,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Bella Vita Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	8,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Gonpachi Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	18,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Hokkaidon Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	70,000 ordinary shares, HK$7,000,000	**60%**	60%

15 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group 2019	2018
Indirect Interests: (Continued)					
L Garden and Partners Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	100 ordinary shares, HK$100	**71%**	71%
Mango Tree (HK) Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	7,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Mango Tree (Kowloon) Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	13,000,000 ordinary shares, HK$1,000,000	**100%**	100%
Modern Shanghai (Hong Kong) Food & Beverage Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	9,100,000 ordinary shares, HK$100,000	**60%**	60%
Modern Shanghai (YOHO Midtown) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	9,000,000 ordinary shares, HK$100,000	**60%**	60%
Petit An Nam (YOHO Midtown) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	7,500,000 ordinary shares, HK$1,000,000	**100%**	100%
Sushi Ta-ke Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	8,000,000 ordinary shares, HK$1,000,000	**100%**	100%

* Registered as wholly foreign owned enterprises under PRC law

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interest

Summarised financial information on subsidiary with material non-controlling interests

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

Summarised statements of financial position

At 31 December 2019

	Modern Shanghai (Hong Kong) Food & Beverage Limited HK$'000	Hokkaidon Restaurant Limited HK$'000	1957 and Partners Limited HK$'000	L Garden and Partners Limited HK$'000
Current				
Assets	23,418	7,947	6,137	5,213
Liabilities	(35,819)	(5,785)	(10,992)	(22,613)
Total net current assets/(liabilities)	(12,401)	2,162	(4,855)	(17,400)
Non-current				
Assets	35,788	7,487	26,678	23,462
Liabilities	(16,518)	(1,539)	(10,545)	(11,874)
Total net non-current assets	19,270	5,948	16,133	11,588
Net assets/(liabilities)	6,869	8,110	11,278	(5,812)

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interest (Continued)

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

Summarised statements of financial position (Continued)

At 31 December 2018

	Modern Shanghai (Hong Kong) Food & Beverage Limited HK$'000	Hokkaidon Restaurant Limited HK$'000	1957 and Partners Limited HK$'000	L Garden and Partners Limited HK$'000
Current				
Assets	15,159	6,473	6,678	1,776
Liabilities	(8,509)	(5,273)	(14,357)	(16,454)
Total net current assets/(liabilities)	6,650	1,200	(7,679)	(14,678)
Non-current				
Assets	11,060	11,354	35,191	39,993
Liabilities	(3,885)	(4,308)	(15,908)	(16,786)
Total net non-current assets	7,175	7,046	19,283	23,207
Net assets	13,825	8,246	11,604	8,529

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interest (Continued)

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

Summarised statements of comprehensive income

	Year ended 31 December 2019			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK$'000	**Hokkaidon Restaurant Limited HK$'000**	**1957 and Partners Limited HK$'000**	**L Garden and Partners Limited HK$'000**
Revenue	**40,678**	**18,080**	**37,188**	**33,019**
Profit/(loss) before income tax	**1,161**	**1,027**	**(392)**	**(14,339)**
Income tax (expenses)/credit	**(111)**	**(164)**	**65**	**–**
Other comprehensive loss	**(8)**	**–**	**–**	**–**
Total comprehensive income/(loss) for the year	**1,042**	**863**	**(327)**	**(14,339)**
Non-controlling interest %	**40.0%**	**40.0%**	**49.0%**	**29.0%**
Total comprehensive income/(loss) for the year allocated to non-controlling interests	**417**	**345**	**(160)**	**(4,158)**

	Year ended 31 December 2018			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK$'000	Hokkaidon Restaurant Limited HK$'000	1957 and Partners Limited HK$'000	L Garden and Partners Limited HK$'000
Revenue	32,235	18,743	32,872	24,023
Profit/(loss) before income tax	3,419	967	(5,656)	(11,841)
Income tax (expenses)/credit	(644)	(152)	663	–
Other comprehensive loss	(171)	–	–	–
Total comprehensive income/(loss) for the year	2,604	815	(4,993)	(11,841)
Non-controlling interest %	40.0%	40.0%	49.0%	29.0%
Total comprehensive income/(loss) for the year allocated to non-controlling interests	1,044	326	(2,447)	(3,434)

15 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interest (Continued)

Summarised statements of cash flows

	Year ended 31 December 2019			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK$'000	**Hokkaidon Restaurant Limited HK$'000**	**1957 and Partners Limited HK$'000**	**L Garden and Partners Limited HK$'000**
Net cash generated from operating activities	**16,283**	**4,578**	**4,530**	**4,073**
Net cash (used in)/generated from investing activities	**(10,057)**	**7**	**3**	**(2,603)**
Net cash (used in)/generated from financing activities	**(1,922)**	**(3,366)**	**(5,172)**	**2,014**
Net increase/(decrease) in cash and cash equivalent	**4,304**	**1,219**	**(639)**	**3,484**
Cash and cash equivalents at beginning of year	**3,416**	**6,190**	**5,824**	**750**
Cash and cash equivalents at end of year	**7,720**	**7,409**	**5,185**	**4,234**

	Year ended 31 December 2018			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK$'000	Hokkaidon Restaurant Limited HK$'000	1957 and Partners Limited HK$'000	L Garden and Partners Limited HK$'000
Net cash generated from/(used in) operating activities	5,298	8,255	24,367	23,808
Net cash used in investing activities	(2,203)	(44)	(15,855)	(20,329)
Net cash (used in)/generated from financing activities	(2,762)	(2,410)	(2,688)	(2,729)
Net increase/(decrease) in cash and cash equivalent	333	5,801	5,824	750
Cash and cash equivalents at date of incorporation/beginning of year	3,083	389	–	–
Cash and cash equivalents at end of year	3,416	6,190	5,824	750

16 INTEREST IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Investment in associates	**3,808**	3,117

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

	2019 HK$'000	2018 HK$'000
As at 1 January	**3,117**	28
Additions	**990**	4,638
Share of losses of associates	**(251)**	(1,170)
Currency translation difference, net	**(48)**	(379)
As at 31 December	**3,808**	3,117

The particulars of the Group's associated companies as at 31 December 2019 are as follows:

Name of entity	Principal activity	Place of business/country of incorporation	% of ownership interest As at 31 December 2019	2018	Measurement method
Modern Shanghai International Food & Beverage Limited	Investment holding	Hong Kong	**40.0%**	40.0%	Equity method
Guangzhou Mango Tree Food & Beverage Co. Ltd 廣州芒果樹餐飲有限公司	Operation of restaurant	People's Republic of China ("PRC")	**24.9%**	24.9%	Equity method
Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd 廣州芒果樹麗柏餐飲有限公司	Operation of restaurant	People's Republic of China ("PRC")	**15.0%**	–	Equity method
Guangzhou Ten Shanghai Food & Beverage Co. Ltd 廣州十里弄餐飲有限公司	Operation of restaurant	People's Republic of China ("PRC")	**24.9%**	24.9%	Equity method

16 INTEREST IN ASSOCIATES (CONTINUED)

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not 1957 & Co. (Hospitality) Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet	**Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd**	**Guangzhou Mango Tree Food & Beverage Co. Ltd**	**Guangzhou Ten Shanghai Food & Beverage Co. Ltd**
		31 December 2019	
	HK$'000	**HK$'000**	**HK$'000**
Current assets			
Cash and cash equivalents	222	405	147
Other current assets	3,754	5,776	712
Total current assets	3,976	6,181	859
Non-current assets	9,201	11,210	10,647
Current liabilities			
Financial liabilities (excluding trade payables)	1,268	1,485	1,498
Other current liabilities	2,243	2,171	2,508
Total current liabilities	3,511	3,656	4,006
Non-current liabilities	3,495	4,808	4,852
Net assets	6,171	8,927	2,648
Reconciliation to carrying amounts:			
Opening net assets 1 January 2019	–	7,393	5,103
Issuance of share capital	6,717	–	–
(Loss)/profit for the period	(425)	1,695	(2,425)
Exchange reserve	(121)	(161)	(30)
Closing net assets at 31 December 2019	6,171	8,927	2,648
Group's share in %	15.0%	24.9%	24.9%
Carrying amount	926	2,223	659
Revenue	2,339	18,856	7,602
Interest income	–	2	1
Depreciation and amortisation	(614)	(1,609)	(1,619)
Interest expense	(135)	(358)	(361)
Loss for the period	(425)	1,695	(2,425)
Other comprehensive loss	(121)	(161)	(31)
Total comprehensive loss	(546)	1,534	(2,456)
Dividends received from associates	–	–	–

16 INTEREST IN ASSOCIATES (CONTINUED)

Summarised balance sheet	Guangzhou Mango Tree Food & Beverage Co. Ltd 31 December 2018 HK$'000	Guangzhou Ten Shanghai Food & Beverage Co. Ltd 31 December 2018 HK$'000
Current assets		
Cash and cash equivalents	467	663
Other current assets	3,783	1,794
Total current assets	4,250	2,457
Non-current assets	14,135	13,259
Current liabilities		
Financial liabilities (excluding trade payables)	1,693	1,564
Other current liabilities	2,870	2,564
Total current liabilities	4,563	4,128
Non-current liabilities	6,429	6,485
Net assets	7,393	5,103
Reconciliation to carrying amounts:		
Opening net assets at 1 January 2018	–	–
Issuance of share capital	9,935	8,696
(Loss)/profit for the period	(1,712)	(2,901)
Exchange reserve	(830)	(692)
Closing net assets at 31 December 2018	7,393	5,103
Group's share in %	24.9%	24.9%
Carrying amount	1,840	1,271
Revenue	9,554	4,386
Interest income	–	–
Depreciation and amortisation	(1,103)	(1,111)
Interest expense	(356)	(368)
Loss for the period	(1,712)	(2,901)
Other comprehensive loss	(830)	(692)
Total comprehensive loss	(2,542)	(3,593)
Dividends received from associates	–	–

The directors are of the opinion that the interest in Modern Shanghai International Food & Beverage Limited is not material to the Group as at 31 December 2019 (2018: same). There are no material contingent liabilities relating to the Group's interest in the associates.

17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables		
— Associates	**501**	2,333
— Third parties	**3,235**	2,522
	3,736	4,855
Deposits	**3,228**	2,874
Prepayments	**901**	1,070
Other receivables	**1,037**	750
	5,166	4,694

The credit periods granted to customers other than credit card companies were 30 to 180 days (2018: same).

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

As at 31 December 2019, the Group does not have any trade and other receivables that are impaired (2018: same).

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

	2019 **HK$'000**	2018 HK$'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

18 INVENTORIES

	2019 HK$'000	2018 HK$'000
Food and beverages	**2,090**	2,294

The cost of inventories recognised as expense and included in "cost of inventories sold" amounted to HK$88,119,000 for the year ended 31 December 2019 (2018: HK$88,141,000).

19 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2019 HK$'000	2018 HK$'000
Cash at banks	**38,811**	40,500
Cash on hand	**905**	879
Cash and cash equivalents	**39,716**	41,379
Pledged bank deposits (Note)	**13,082**	12,853
Denominated in:		
Hong Kong Dollar	**49,889**	52,313
Renminbi	**1,432**	449
US Dollar	**1,477**	1,470
	52,798	54,232
Maximum exposure on credit risk	**51,893**	53,353

Note: As at 31 December 2019, bank deposits of HK$2,010,000 and HK$11,072,000 (2018: HK$1,814,000 and HK$11,039,000) were pledged as guarantee for payments under lease agreement and bank borrowings, respectively.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital 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.

21 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables (Note (a))	**13,920**	14,554
Accrued staff costs	**8,813**	10,953
Payable for contingent rent	**445**	633
Payable for purchase of property, plant and equipment	**274**	1,957
Guest deposit	**416**	66
Other accrued operating expenses	**6,881**	6,551
Other payables	**891**	206
	17,720	20,366
Total trade and other payables	**31,640**	34,920

The carrying amounts of trade and other payables approximate their fair value and are denominated in HK$ (2018: same).

Note:

(a) Payment term on majority of purchase of goods is 30 to 60 days (2018: same).

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

22 LEASE LIABILITIES

	2019 HK$'000	2018 HK$'000
Minimum lease payments due		
— Within 1 year	**64,037**	46,678
— Between 1 and 2 years	**53,792**	40,233
— Between 2 and 5 years	**37,089**	50,407
	154,918	137,318
Less: future finance charges	**(7,796)**	(7,210)
Present value of lease liabilities	**147,122**	130,108

	2019 HK$'000	2018 HK$'000
Within 1 year	**59,548**	43,175
Between 1 and 2 years	**51,448**	38,014
Between 2 and 5 years	**36,126**	48,919
	147,122	130,108

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

The total cash outflows for leases including payments of lease liabilities, payments of interest expenses on leases and payments of contingent rents for the year ended 31 December 2019 were HK$66,939,000 (2018: HK$63,331,000).

Contingent rents determined with reference to the Group's revenue from relevant restaurant operations that are not included in lease liabilities are recognised as "rental expenses". The Group recognised HK$7,415,000 (2018: HK$8,574,000) contingent rent and government rates for the year ended 31 December 2019.

23 CONTRACT LIABILITIES

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

	2019 HK$'000	2018 HK$'000
As at 1 January	**1,681**	797
Additional provision during the year	**4,956**	4,990
Redemption	**(4,054)**	(3,128)
Expired	**(1,064)**	(978)
As at 31 December	**1,519**	1,681

24 BANK BORROWINGS

	2019 **HK$'000**	2018 HK$'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.

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

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**8,980**	8,650
Between 1 and 2 years	**7,527**	8,970
Between 2 and 5 years	**4,074**	11,610
	20,581	29,230

25 DEFERRED TAX

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

	2019 HK$'000	2018 HK$'000
Deferred income tax assets		
— to be recovered after more than 12 months	**8,090**	6,696
— to be recovered within 12 months	**1,698**	2,418
	9,788	9,114
Deferred income tax liabilities		
— to be recovered after more than 12 months	**(36)**	(5)
— to be recovered within 12 months	**–**	(40)
	(36)	(45)
Deferred income tax assets (net)	**9,752**	9,069

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

	2019 HK$'000	2018 HK$'000
At 1 January	**9,069**	9,097
Credited/(charged) to income statement (Note 11)	**683**	(28)
At 31 December	**9,752**	9,069

Deferred income tax liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2018: 16.5%) prevailing at the time when the temporary differences are expected to realise or settle.

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of HK$2,860,000 (2018: HK$2,099,000) in respect of tax losses amounting to HK$17,333,000 (2018: HK$12,721,000) that can be carried forward against future taxable income. There is no expiry date for the unrecognised tax losses.

25 DEFERRED TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2019 **HK$'000**	2018 HK$'000
Deferred tax assets		
Decelerated tax depreciation:		
At 1 January	**5,465**	3,804
Credited to income statement	**1,708**	1,661
At 31 December	**7,173**	5,465
Tax losses:		
At 1 January	**4,098**	3,642
(Charged)/credited to income statement	**(345)**	456
At 31 December	**3,753**	4,098
Leases:		
At 1 January	**(449)**	1,686
Charged to income statement	**(689)**	(2,135)
At 31 December	**(1,138)**	(449)
Deferred income tax assets as at 31 December	**9,788**	9,114
Deferred tax liabilities		
Accelerated tax depreciation:		
At 1 January	**(45)**	(35)
Credited/(charged) to income statement	**9**	(10)
At 31 December	**(36)**	(45)

26 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
— Trade and other receivables excluding prepayments	**7,865**	8,479
— Amounts due from related parties (Note 29 (b))	**54**	108
— Pledged bank deposits (Note 19)	**13,082**	12,853
— Cash and cash equivalents (Note 19)	**39,716**	41,379
	60,717	62,819

	2019 HK$'000	2018 HK$'000
Financial liabilities		
Liabilities at amortised cost		
— Trade and other payables	**28,992**	32,543
— Amounts due to related parties (Note 29(b))	**–**	2,851
— Loans from non-controlling shareholders (Note 29(b))	**7,600**	–
— Bank borrowings (Note 24)	**20,581**	29,230
Lease liabilities (Note 22)	**147,122**	130,108
	204,295	194,732

27 COMMITMENT

The Group did not have any capital expenditure contracted for but not yet incurred as at 31 December 2019 and 2018.

28 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2019 and 2018.

29 RELATED PARTY TRANSACTIONS

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

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

(a) Key management compensation

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

(b) Balances with related parties

	2019 **HK$'000**	2018 HK$'000
Non-trading balance:		
Amount due from an associate		
— Modern Shanghai International Food & Beverage Limited	**54**	108
Non-trading balance:		
Other payables		
— Guangzhou Mango Tree Food & Beverage Co. Limited	**(149)**	–
Non-trading balances:		
Loans from non-controlling shareholders (Note (a))		
— Chairman Food & Beverage Management Limited	**4,700**	–
— Jarrett Investment Limited	**2,900**	–

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

	2019 HK$'000	2018 HK$'000
Trading balance:		
Payables for purchase of property, plant and equipment		
— Tino Kwan Lighting Consultants Limited	**(11)**	–
Trading balances:		
Pre-opening consultancy services and management fee		
— Guangzhou Mango Tree Food & Beverage Co. Limited	**45**	1,377
— Guangzhou Ten Shanghai Food & Beverage Co. Limited	**223**	956
— Guangzhou Mango Tree (La Perle) Food & Beverage Co. Limited	**608**	–
Trading balances:		
Lease liabilities		
— Perfect Win Properties Limited	**(17,975)**	(4,052)
— Barrowgate Limited	**(33,826)**	(43,591)
Trading balance:		
Lease payment (Note (b))		
— Barrowgate Limited	**–**	2,851

Notes:

(a) 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$.

(b) The amount due to a related company is unsecured, interest-free and repayable on demand. The carrying amount of the balance approximates its fair value and is denominated in HK$.

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

	2019 HK$'000	2018 HK$'000
Purchases of property, plant and equipment from related companies (Note (a))		
— Steve Leung Designers Limited	**300**	61
— Tino Kwan Lighting Consultants Limited	**153**	–
Pre-opening consultancy services and management fee (Note (b))		
— Guangzhou Mango Tree Food & beverage Co., Ltd.	**545**	1,377
— Guangzhou Ten Shanghai Food & beverage Co., Ltd.	**545**	956
— Guangzhou Mango Tree (La Perle) Food & beverage Co., Ltd.	**610**	–
Lease payment (Note (c))		
— Perfect Win Properties Limited	**10,143**	9,709
— Barrowgate Limited	**13,484**	13,781

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) Pre-opening consultancy services and management fee is charged in accordance with the agreement entered into between the relevant parties.

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

30 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of each director for the year ended 31 December 2019 are set out below:

Name	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors:						
Kwok Chi Po (Chief Executive Officer)	–	1,757	147	180	18	2,102
Kwan Wing Kuen Tino	82	–	–	–	–	82
Lau Ming Fai	–	1,261	106	–	18	1,385
Leung Nicholas Nic-hang	–	357	30	–	18	405
Non-executive directors:						
Leung Chi Tien Steve	82	–	–	–	–	82
Independent non-executive Directors:						
How Sze Ming	142	–	–	–	–	142
Ng Wai Hung	142	–	–	–	–	142
Chan Kam Kwan Jason	142	–	–	–	–	142
	590	3,375	283	180	54	4,482

30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remunerations of each director for the year ended 31 December 2018 are set out below:

Name	Fee HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors:						
Kwok Chi Po (Chief Executive Officer)	–	1,660	390	180	18	2,248
Kwan Wing Kuen Tino	60	–	330	–	–	390
Lau Ming Fai	–	1,185	200	–	18	1,403
Leung Nicholas Nic-hang	–	317	40	–	16	373
Non-executive directors:						
Leung Chi Tien Steve	55	–	500	–	–	555
Independent non-executive Directors:						
How Sze Ming	120	–	–	–	–	120
Ng Wai Hung	120	–	–	–	–	120
Chan Kam Kwan Jason	120	–	–	–	–	120
	475	3,162	1,460	180	52	5,329

30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as directors of the companies comprising the Group during the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018 no directors waived or agreed to waive any emoluments.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits under a defined benefit scheme or termination benefits during the years ended 31 December 2019 and 2018.

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

The Group did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2019 and 2018.

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

No loans, quasi-loans and other dealings were made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the years or at any time during the years (2018: nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the year (2018: nil).

31 DIVIDEND

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

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Investment in a subsidiary	**46,483**	46,483
Current assets		
Prepayments	**247**	197
Amounts due from subsidiaries	**26,377**	15,992
Cash and cash equivalents	**488**	105
	27,112	16,294
Total assets	**73,595**	62,777
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**38**	32
Share premium	**100,980**	86,773
Accumulated losses	**(29,282)**	(24,962)
Total equity	**71,736**	61,843
LIABILITIES		
Current liabilities		
Accruals	**315**	492
Amount due to a subsidiary	**1,544**	442
	1,859	934
Total liabilities	**1,859**	934
Total equity and liabilities	**73,595**	62,777

Kwok Chi Po
Director

Leung Chi Tien Steve
Director

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

Reserve movement of the Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2018	86,773	(21,637)	65,136
Loss for the year	–	(3,325)	(3,325)
As at 31 December 2018	**86,773**	**(24,962)**	**61,811**
Loss for the year	**–**	**(4,320)**	**(4,320)**
Issue of shares	**14,207**	**–**	**14,207**
As at 31 December 2019	**100,980**	**(29,282)**	**71,698**

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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. In performing impairment assessment of property, plant and equipment (the "PPE") for this set of financial statements, the Group estimated the present value of future cash flows of the cash generating units (CGUs) based on the conditions as at 31 December 2019. In the PPE impairment test to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered.