

Financial Highlights

During the six months ended 30 June 2020:

- the Group recorded unaudited revenue of approximately HK\$158.4 million (2019: HK\$176.9 million), representing a decrease of approximately 10.5% as compared to the corresponding period ended 30 June 2019;
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$6.5 million (2019: HK\$1.9 million).

During the three months ended 30 June 2020:

- the Group recorded unaudited revenue of approximately HK\$89.9 million (2019: HK\$90.4 million), representing a decrease of 0.6% as compared to the corresponding period ended 30 June 2019;
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$4.1 million (2019: HK\$0.3 million).

Condensed Consolidated Statement of Profit or Loss

For the three months and six months ended 30 June 2020

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

The Directors of 1957 & Co. (Hospitality) Limited are pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding periods in 2019, as follows:

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	89,894	90,388	158,425	176,942
Other income and losses, net	5	3,658	(218)	5,065	(68)
Cost of inventories sold		(24,963)	(22,543)	(43,844)	(44,710)
Employee benefit expenses		(27,742)	(31,484)	(55,095)	(62,562)
Depreciation, amortisation and impairment		(20,403)	(18,965)	(41,333)	(37,401)
Royalty fees		(1,366)	(1,284)	(2,222)	(2,500)
Rental expenses		(1,971)	(1,938)	(3,300)	(3,904)
Utilities		(2,306)	(2,334)	(4,694)	(4,723)
Other operating expenses		(8,721)	(9,608)	(16,837)	(19,286)
Operating profit/(loss)		6,080	2,014	(3,835)	1,788
Finance income		10	22	17	35
Finance costs		(1,343)	(1,177)	(2,834)	(2,437)
Finance costs, net	6	(1,333)	(1,155)	(2,817)	(2,402)
Share of losses of associates		(133)	(123)	(641)	(268)
Profit/(loss) before income tax		4,614	736	(7,293)	(882)
Income tax expense	7	(115)	(628)	(278)	(1,235)
Profit/(loss) for the period		4,499	108	(7,571)	(2,117)
Profit/(loss) for the period attributable to:					
— Owners of the Company		4,134	281	(6,486)	(1,891)
— Non-controlling interests		365	(173)	(1,085)	(226)
		4,499	108	(7,571)	(2,117)
Earnings/(losses) per share attributable to owners of the Company for the period (HK cents)					
— Basic and diluted	9	1.08	0.08	(1.69)	(0.57)

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2020

	For the three months ended 30 June		For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit/(loss) for the period	4,499	108	(7,571)	(2,117)
Other comprehensive loss <i>Items that may be reclassified to profit or loss</i>				
— Currency translation differences	(83)	(38)	(38)	(3)
Total comprehensive income/(loss) for the period	4,416	70	(7,609)	(2,120)
Total comprehensive income/(loss) for the period attributable to:				
— Owners of the Company	4,065	243	(6,510)	(1,894)
— Non-controlling interests	351	(173)	(1,099)	(226)
	4,416	70	(7,609)	(2,120)

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	156,418	202,735
Intangible assets	11	1,308	1,416
Interest in associates	12	3,078	3,808
Deferred tax assets		9,788	9,788
		170,592	217,747
Current assets			
Inventories		1,995	2,090
Trade receivables	13	5,547	3,736
Prepayments, deposits and other receivables		5,670	5,166
Amounts due from related parties		65	54
Tax recoverable		1,528	2,122
Pledged bank deposits		7,033	13,082
Cash and cash equivalents		51,558	39,716
		73,396	65,966
Total assets		243,988	283,713
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	38	38
Share premium	14	100,980	100,980
Capital reserve		(2,983)	(2,983)
Exchange reserve		(637)	(613)
Accumulated losses		(39,102)	(32,616)
		58,296	64,806
Non-controlling interests		8,734	9,833
Total equity		67,030	74,639

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Note	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		59,801	87,574
Deferred income tax liabilities		36	36
		59,837	87,610
Current liabilities			
Trade payables	15	17,840	13,920
Accruals and other payables		18,344	17,720
Lease liabilities		56,030	59,548
Contract liabilities		1,554	1,519
Income tax payables		–	576
Amounts due to related parties		3,188	–
Loans from non-controlling shareholders		7,600	7,600
Bank borrowings	16	12,565	20,581
		117,121	121,464
Total liabilities		176,958	209,074
Total equity and liabilities		243,988	283,713

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to the owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
(Unaudited)								
Balance at 1 January 2019	32	86,773	(2,983)	(427)	(18,427)	64,968	16,989	81,957
Comprehensive loss								
Loss and total comprehensive loss for the period	-	-	-	-	(1,891)	(1,891)	(226)	(2,117)
Other comprehensive loss								
Currency translation differences	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive loss	-	-	-	(3)	(1,891)	(1,894)	(226)	(2,120)
Transaction with owners								
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	2,900	2,900
Shares issued pursuant to the Placing (Note 14)	6	15,034	-	-	-	15,040	-	15,040
Transaction costs attributable to the Placing	-	(827)	-	-	-	(827)	-	(827)
Total transaction with owners	6	14,207	-	-	-	14,213	2,900	17,113
Balance at 30 June 2019	38	100,980	(2,983)	(430)	(20,318)	77,287	19,663	96,950
(Unaudited)								
Balance at 1 January 2020	38	100,980	(2,983)	(613)	(32,616)	64,806	9,833	74,639
Comprehensive loss								
Loss and total comprehensive loss for the period	-	-	-	-	(6,486)	(6,486)	(1,085)	(7,571)
Other comprehensive loss								
Currency translation differences	-	-	-	(24)	-	(24)	(14)	(38)
Total comprehensive loss	-	-	-	(24)	(6,486)	(6,510)	(1,099)	(7,609)
Balance at 30 June 2020	38	100,980	(2,983)	(637)	(39,102)	58,296	8,734	67,030

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
Loss before income tax	(7,293)	(882)
Adjustments for:		
— Depreciation and amortisation	41,333	37,401
— Share of losses of associates	641	268
— Finance income	(17)	(35)
— Finance costs	2,834	2,437
Operating cash flows before changes in working capital	37,498	39,189
Changes in working capital:		
— Inventories	95	366
— Trade and other receivables	(2,315)	(3,914)
— Trade and other payables	4,544	(5,111)
— Contract liabilities	35	370
— Amount due to a non-controlling shareholder of a subsidiary	–	2,900
— Amount due from/to related companies	3,177	(608)
Cash generated from operations	43,034	33,192
Interest paid	(2,834)	(2,437)
Hong Kong profits tax (paid)/received	(260)	1,249
Net cash generated from operating activities	39,940	32,004
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,668)	(5,572)
Proceeds from disposal of property, plant and equipment	4	–
Interest received	17	35
Net cash used in investing activities	(1,647)	(5,537)
Cash flows from financing activities		
Repayment of bank borrowings	(8,016)	(4,291)
Payment of lease liabilities	(24,535)	(29,349)
Proceeds from Placing	–	15,040
Transaction costs arising from Placing	–	(827)
Decrease/(increase) in pledged bank deposit	6,049	(215)
Net cash used in financing activities	(26,502)	(19,642)
Net increase in cash and cash equivalents	11,791	6,825
Cash and cash equivalents at beginning of period	39,716	41,379
Effect of foreign exchange rate changes	51	(3)
Cash and cash equivalents at 30 June	51,558	48,201

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 February 2016 as an exempted company with limited liability under Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Room 702, 7/F, 101 King's Road, Hong Kong.

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 (the "**2020 Interim Financial Statements**") have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

The 2020 Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The 2020 Interim Financial Statements are presented in thousands of Hong Kong dollars ("**HK\$'000**"), unless otherwise stated.

Except as described below, the accounting policies and methods of computation used in the preparation of the 2020 Interim Financial Statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2019.

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

HKFRS 3 (Amendment)	Definition of a Business
HKAS 1 and HKAS 8 (Amendment)	Definition of Material

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

Notes to the Condensed Consolidated Financial Statements

3 SEGMENT INFORMATION

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

The CODM assesses the performance based on a measure of segment profit, which is a measure of adjusted 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 losses, net, share of losses of associates as well as head office expenses are excluded from such measurement.

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

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

Segment revenue and results

Six months ended 30 June 2020

	Operation of restaurants HK\$'000 (Unaudited)	Catering management and consultancy services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Total segment revenue	157,698	10,014	167,712
Inter-segment revenue	–	(9,287)	(9,287)
Revenue from external customers	157,698	727	158,425
Result			
Segment (loss)/profit	(3,636)	690	(2,946)
Other income and losses, net			5,065
Unallocated staff costs			(7,041)
Unallocated depreciation and amortisation			(772)
Unallocated utilities and consumables			(4)
Unallocated other expenses			(954)
Share of losses of associates			(641)
Loss before income tax			(7,293)

Notes to the Condensed Consolidated Financial Statements

3 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2019

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

Information about major customers

There are no single external customers who contributed to more than 10% of the revenue of the Group during the period ended 30 June 2020 (2019: same).

Notes to the Condensed Consolidated Financial Statements

3 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

At 30 June 2020

	Operation of restaurants HK\$'000 (Unaudited)	Catering management and consultancy services HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	286,679	63,238	3,924	(109,853)	243,988
Segment liabilities	233,950	51,223	1,638	(109,853)	176,958

At 31 December 2019

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

Geographical information

The Group's revenue from operation of restaurants is mainly derived from customers in Hong Kong and revenue from catering management and consultancy services is mainly derived from customers in Hong Kong and the People's Republic of China (the "PRC"). The principal assets of the Group were also located in Hong Kong as at 30 June 2020 and 31 December 2019. Accordingly, no analysis by geographical segment is provided.

Notes to the Condensed Consolidated Financial Statements

4 REVENUE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operation of restaurants, recognised at a point in time	89,533	89,584	157,698	176,016
Catering management and consultancy services, recognised overtime	361	804	727	926
	89,894	90,388	158,425	176,942

5 OTHER INCOME AND LOSSES, NET

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government subsidies	3,565	–	4,965	–
Other income/(loss)	93	(218)	100	(68)
	3,658	(218)	5,065	(68)

6 FINANCE COSTS, NET

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income				
Interest income	10	22	17	35
Finance costs				
Interest expenses on bank borrowings	(180)	(243)	(357)	(497)
Interest expenses on lease liabilities	(1,163)	(934)	(2,477)	(1,940)
	(1,343)	(1,177)	(2,834)	(2,437)
Finance costs, net	(1,333)	(1,155)	(2,817)	(2,402)

Notes to the Condensed Consolidated Financial Statements

7 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the six months ended 30 June 2020.

8 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2020.

9 EARNINGS/(LOSSES) PER SHARE

(a) Basic

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

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	4,134	281	(6,486)	(1,891)
Weighted average number of ordinary shares in issue (in thousands)	384,000	330,961	384,000	330,961
Basic earnings/(losses) per share (HK cents)	1.08	0.08	(1.69)	(0.57)

(b) Diluted

Diluted earnings/(losses) per share for the three months and six months ended 30 June 2020 and 2019 were the same as the basic earnings/(losses) per share as there were no potential dilutive ordinary shares.

Notes to the Condensed Consolidated Financial Statements

10 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Leasehold improvements	Furniture and fixture	Kitchen and operating equipment	Computer equipment	Motor vehicle	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (Audited)							
Cost	292,910	106,354	7,565	16,602	2,461	156	426,048
Accumulated depreciation	(159,641)	(51,538)	(4,499)	(8,973)	(1,387)	(13)	(226,051)
Net book amount	133,269	54,816	3,066	7,629	1,074	143	199,997
Six months ended 30 June 2019 (Unaudited)							
Opening net book amount	133,269	54,816	3,066	7,629	1,074	143	199,997
Additions	32,093	4,880	171	369	151	–	37,664
Depreciation	(26,546)	(8,697)	(429)	(1,295)	(310)	(16)	(37,293)
Closing net book amount	138,816	50,999	2,808	6,703	915	127	200,368
At 30 June 2019 (Unaudited)							
Cost	325,003	111,235	7,736	16,971	2,612	156	463,713
Accumulated depreciation	(186,187)	(60,236)	(4,928)	(10,268)	(1,697)	(29)	(263,345)
Net book amount	138,816	50,999	2,808	6,703	915	127	200,368
At 1 January 2020 (Audited)							
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
Six months ended 30 June 2020 (Unaudited)							
Opening net book amount	146,040	45,844	3,936	6,066	737	112	202,735
Additions	745	1,413	68	52	16	–	2,294
Lease modification	(7,382)	–	–	–	–	–	(7,382)
Disposal	–	–	–	(4)	–	–	(4)
Depreciation	(29,007)	(9,890)	(642)	(1,374)	(296)	(16)	(41,225)
Closing net book amount	110,396	37,367	3,362	4,740	457	96	156,418
At 30 June 2020 (Unaudited)							
Cost	362,887	120,835	9,768	18,231	2,823	156	514,700
Accumulated depreciation and impairment	(252,491)	(83,468)	(6,406)	(13,491)	(2,366)	(60)	(358,282)
Net book amount	110,396	37,367	3,362	4,740	457	96	156,418

Notes to the Condensed Consolidated Financial Statements

11 INTANGIBLE ASSETS

	HK\$'000
At 31 December 2019 (Audited)	
Cost	2,112
Accumulated amortisation	(696)
Net book amount	1,416
Six months ended 30 June 2020 (Unaudited)	
Opening net book amount	1,416
Amortisation charges	(108)
Net book amount	1,308
At 30 June 2020 (Unaudited)	
Cost	2,112
Accumulated amortisation	(804)
Net book amount	1,308

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

Notes to the Condensed Consolidated Financial Statements

12 INTEREST IN ASSOCIATES

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Investment in associates	3,078	3,808

Movement of interest in associates during the six months ended 30 June 2020 and year ended 31 December 2019 are analysed as below:

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
At beginning of period	3,808	3,117
Additions	–	990
Share of losses of associates	(641)	(251)
Currency translation difference, net	(89)	(48)
At end of period	3,078	3,808

13 TRADE RECEIVABLES

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
1 to 30 days	2,194	2,129
31 to 60 days	1,027	819
61 to 90 days	397	284
Over 90 days	1,929	504
	5,547	3,736

Notes to the Condensed Consolidated Financial Statements

14 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 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	3,800,000,000	380	–
Issued and fully paid:			
At 1 January 2019	320,000,000	32	86,773
Shares issued	64,000,000	6	15,034
Less: transaction costs arising on share issues	–	–	(827)
At 30 June 2019, 1 January 2020, 30 June 2020	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 passu in all respects with the existing shares.

15 TRADE PAYABLES

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
1 to 30 days	9,169	7,730
31 to 60 days	8,583	6,153
61 to 90 days	9	7
Over 90 days	79	30
	17,840	13,920

Notes to the Condensed Consolidated Financial Statements

16 BANK BORROWINGS

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Bank borrowings repayable on demand	12,565	20,581

As at 30 June 2020, the Group's bank borrowings were secured by corporate guarantees given by the Company (31 December 2019: same) and pledged bank deposits of HK\$5,023,000 (31 December 2019: HK\$11,072,000).

The weighted average effective interest rates of the bank borrowings as at 30 June 2020 was 3.62% per annum (31 December 2019: 4.04% per annum).

17 RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Purchases of property, plant and equipment from related companies (Note (a))		
— Steve Leung Designers Limited	—	300
— Tino Kwan Lighting Consultants Limited	—	45
Pre-opening consultancy services and management fee (Note (b))		
— Guangzhou Mango Tree Food & Beverage Co. Ltd.	264	278
— Guangzhou Ten Shanghai Food & Beverage Co. Ltd.	264	278
— Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd.	198	—
Lease payment (Note (c))		
— Perfect Win Properties Limited	4,726	4,835
— Barrowgate Limited	6,174	6,696

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.

Management Discussion and Analysis

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

During the six months ended 30 June 2020 (the “**Review Period**”), the Group had been principally engaged in operating full services restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provided restaurant management and consultancy services in Hong Kong and the PRC.

INDUSTRY OVERVIEW

The food and beverage sector has been facing an even more difficult business environment due to the worsening of the Coronavirus Disease 2019 (the “**COVID-19**”) crisis in the current period as compared to the first and second quarters of the year because of the continuing of social-distancing rules which have substantial impacts on the restaurant business environment. These regulation and measures included the limit of the restaurant seating capacity be capped at 50 per cent, no more than four people were allowed per table and tables must be kept 1.5 metres apart and most critically the dine-in services were banned from 6 p.m. until 5 a.m. with effect from 15 July 2020 to 28 July 2020 and further tightening of social-distancing measures and banning of daytime dining at restaurants for 2 days from 29 July 2020 to 30 July 2020, and then the dine-in services resumed partially and were banned from 6 p.m. until 5 a.m. and restricted to no more than two people were allowed per table with effect from 31 July 2020 to 11 August 2020, which may subject to further extension depending on the circumstances. The outlook down the road depends critically on how the situation of the COVID-19 outbreak will evolve and the future government policy on controlling the spread of the COVID-19 to be implemented. The Group will continue to monitor the development closely and will take a proactive approach in deriving and implementing measures and strategies so as to minimise the potential adverse impacts and will be more cautious in running our business.

BUSINESS REVIEW

Hong Kong

As at 30 June 2020, the Group had a total of thirteen restaurants under five self-owned brands in Hong Kong, namely, Ta-ke, An Nam (including its junior brand, Petit An Nam), Modern Shanghai, 10 Shanghai and Hokkaidon and three franchised or sub-licensed brands, namely, Mango Tree (including its junior brand, Mango Tree Café), Gonpachi and Paper Moon in Hong Kong.

During the six months ended 30 June 2020, except for 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, during which 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 on 16 January 2020, there was no other temporary closure or suspension of business in our other restaurants.

On 20 July 2020, the landlord executed a tenancy agreement for the renewal of the lease of the premises for three years (where our An Nam (Festival Walk) Restaurant is located in) in Festival Walk, the lease will expire on 13 September 2023.

Management Discussion and Analysis

However, the closure of the border checkpoints, including Lo Wu, Lok Ma Chau, Huang Gang Port, and the Hong Kong Macau Ferry Terminal and the imposed restrictions on the border checkpoints that remain open at the airport, the Shenzhen Bay Bridge connecting Tin Shui Wai to Shenzhen, and the Hong Kong-Zhuhai-Macau Bridge have almost completely stopped all overseas and mainland visitors and affected the food and beverage business of Hong Kong. Furthermore, the various measures including the limit of the restaurant seating capacity be capped at 50 per cent, no more than four people were allowed per table and the tables must be kept 1.5 metres apart since the last week of March 2020 and the further tightening of social-distancing measures and banning of daytime dining at restaurants for 2 days from 29 July 2020 to 30 July 2020, and then the dine-in services resumed partially and were banned from 6 p.m. until 5 a.m. and restricted to no more than two people were allowed per table with effect from 31 July 2020 to 11 August 2020 might have further adverse impacts on the business operation.

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

As at 30 June 2020, 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 the outbreak of the COVID-19 also has a large impact on the PRC, the revenue of these restaurants dropped dramatically up to the second quarter of the year. 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. However, the outlook down the road depends critically on how the situation of the COVID-19 outbreak 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 Review Period, approximately 99.5% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.5% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 June 2020, the Group was operating thirteen (2019: twelve) restaurants, of which no (2019: no) restaurant was newly opened and no (2019: no) restaurant was relocated or renamed and no (2019: no) restaurant was closed down during the Review Period in Hong Kong.

The Group's revenue dropped by approximately 10.5% from approximately HK\$176.9 million for the six months ended 30 June 2019 to approximately HK\$158.4 million for the six months ended 30 June 2020. The outbreak of the COVID-19 continuously weakened Hong Kong economy and affected the customer sentiment, the substantial decrease in number of visitors coming to Hong Kong greatly affected their total consumptions in our restaurants, coped with the uncertainties of the global economy and the measures and control imposed by the government affected the business operation for the restaurants of the Group.

Management Discussion and Analysis

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

	For the six months ended 30 June			
	2020		2019	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Thai	30,204	19.2	37,515	21.3
Vietnamese	25,506	16.2	37,373	21.2
Japanese	39,293	24.9	44,774	25.5
Shanghainese	41,336	26.2	36,489	20.7
Italian	21,359	13.5	19,865	11.3
Total	157,698	100.0	176,016	100.0

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants decreased by approximately HK\$7.3 million, or approximately 19.5%, from approximately HK\$37.5 million for the six months ended 30 June 2019 to approximately HK\$30.2 million for the six months ended 30 June 2020. 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\$11.9 million, or approximately 31.8%, from approximately HK\$37.4 million for the six months ended 30 June 2019 to approximately HK\$25.5 million for the six months ended 30 June 2020. Such decrease was due to the above factors and also the temporary closure of An Nam (Festival Walk) Restaurant as mentioned above.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants decreased by approximately HK\$5.5 million, or approximately 12.3%, from approximately HK\$44.8 million for the six months ended 30 June 2019 to approximately HK\$39.3 million for the six months ended 30 June 2020. Such decrease was due to the factors as mentioned above.

Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurant increased by approximately HK\$4.8 million, or approximately 13.2%, from approximately HK\$36.5 million for the six months ended 30 June 2019 to approximately HK\$41.3 million for the six months ended 30 June 2020. The increase in revenue contributed by the new Modern Shanghai (Olympian City) Restaurant (which was opened in late September 2019) has its impact offset by the factors as mentioned above.

Italian-style restaurant

The revenue generated from operation of Italian-style restaurant increased by approximately HK\$1.5 million, or approximately 7.5%, from approximately HK\$19.9 million for the six months ended 30 June 2019 to approximately HK\$21.4 million for the six months ended 30 June 2020. One of the reasons for the increase in the revenue was contributed by the new outside dining areas offered by the restaurant.

Management Discussion and Analysis

Cost of inventories sold

The cost of inventories consumed mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Cost of inventories consumed is one of the major components of the Group's operating expenses which amounted to approximately HK\$43.8 million and HK\$44.7 million for each of the six months ended 30 June 2020 and 2019, respectively, representing approximately 27.8% and 25.4% of the Group's total revenue generated from operation of restaurants for the corresponding period. Such decrease was mainly due to the cost reduction measures coped with the decrease in revenue net off by the increase in additional marketing efforts for sales stimulating measures.

Other income and losses, net

The Group recorded other income of approximately HK\$5.1 million for the six months ended 30 June 2020 (2019: other losses of HK\$0.07 million). This was mainly attributable to the government subsidies received by the Group under the Anti-epidemic Fund.

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 from approximately HK\$62.6 million for the six months ended 30 June 2019 to approximately HK\$55.1 million for the six months ended 30 June 2020, representing a decrease of approximately 12.0%. Such decrease was mainly due to the cost reduction measures effected to cope with the decrease in revenue despite the expansion of the restaurant portfolio of the Group and the increase in the number of staff in relation thereto.

The Directors expect the costs will remain stable and may slightly decrease as long as the downturn of the economy in Hong Kong continues and cost reduction measures apply.

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\$37.4 million and HK\$41.3 million for the six months ended 30 June 2019 and 2020, 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 since the last quarter of previous year.

The depreciation charged on the right-of-use assets amounted to approximately HK\$26.5 million and HK\$29.0 million for the six months ended 30 June 2019 and 2020, 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.

Management Discussion and Analysis

The depreciation charged for the leasehold improvements amounted to approximately HK\$8.7 million and HK\$9.9 million, for the six months ended 30 June 2019 and 2020, 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.

Rental expenses

The rental expenses for the six months ended 30 June 2020 amounted to approximately HK\$3.3 million, representing a decrease of approximately 15.4% as compared with that for the six months ended 30 June 2019 which amounted to approximately HK\$3.9 million. The decrease was due to the drop in revenue of our certain restaurants which led to a drop in turnover rent incurred.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the six months ended 30 June 2020 and 2019, the total utility amounted to approximately HK\$4.7 million and HK\$4.7 million, respectively.

Other operating expenses

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

The other operating expenses decreased from approximately HK\$19.3 million for the six months ended 30 June 2019 to approximately HK\$16.8 million for the six months ended 30 June 2020, representing a decrease of approximately 13.0%. This was mainly attributable to the cost reduction and associated costs reduction resulted from the drop in sales revenue.

Income tax expenses

The income tax expenses decreased from approximately HK\$1.2 million for six months ended 30 June 2019 to approximately HK\$0.3 million for the six months ended 30 June 2020.

Finance costs

The Group's finance costs increased from approximately HK\$2.4 million for the six months ended 30 June 2019 to approximately HK\$2.8 million for the six months ended 30 June 2020 principally due to the increase of the interest expenses on lease liabilities.

Loss for the period

The Group recorded a loss of approximately HK\$7.6 million for the six months ended 30 June 2020 as compared to a loss of approximately HK\$2.1 million for the corresponding period in 2019. The loss was mainly attributable to the drop in revenue while the costs incurred in the period are relatively higher with the introduction of various promotions and special offers in order to attract the customers and stabilise the revenue from further dropping.

Management Discussion and Analysis

Liquidity and Financial Resources

Capital structure

There was no change in the capital structure of the Group from 31 December 2019 to 30 June 2020.

Cash position

As at 30 June 2020, the cash and cash equivalents of the Group amounted to approximately HK\$51.6 million (31 December 2019: approximately HK\$39.7 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 30.0% as compared to that at 31 December 2019. The increase of the cash balance was because of the implementation of various costs control measures including but not limited to the request of suppliers' discounts, rent concessions, deferral of certain payments, caution in hiring casual workers and the grant of the government subsidies. We will expect a further benefit to be recorded upon completion of the collection of the remaining government subsidy.

Borrowings

As at 30 June 2020, the total borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$12.6 million (31 December 2019: approximately HK\$20.6 million) that bore the weighted average of floating interest rates of approximately 3.62% per annum as at 30 June 2020. No financial instrument was being used for interest rate hedging purpose.

Save as disclosed, the Group did not have other borrowings for the six months ended 30 June 2020.

Pledge

As at 30 June 2020, a total of HK\$7.0 million pledged deposits held at banks were provided by the Group as security for a rental deposit of our lease and as securities for the bank borrowings (31 December 2019: HK\$13.1 million).

Gearing ratio

As at 30 June 2020, the gearing ratio of the Group was approximately 30.1% (2019: approximately 37.8%). The decrease was attributable to the repayment of bank borrowings during the Review Period. The gearing ratio is calculated based on the total borrowings, which include bank borrowings and amount due to non-controlling shareholders, divided by the total equity of the Company at the end of the respective period.

Material Acquisitions and Disposals and Disposal of Subsidiaries and Associates

The Group did not have any material acquisition nor disposal of subsidiaries or associates during the Review Period.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2020.

Capital commitments

As at 30 June 2020, the Group's outstanding capital commitments were nil (31 December 2019: nil).

Information on Employees

The Group has 361 full-time employees and 58 part-time employees respectively as at 30 June 2020. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2019.

Management Discussion and Analysis

Use of net proceeds from the placing of shares

On 30 May 2019, for the purpose of broadening the shareholder base and satisfying the following genuine business needs of the Group in the opening of new restaurant, namely Modern Shanghai (Olympian City) Restaurant in the Kowloon district in the amount of approximately HK\$8.5 million, investment in restaurant(s) by a minority stake in PRC for approximately HK\$3.0 million and an approximately HK\$2.6 million for general working capital, the Group raised its fund by way of a placing of 64,000,000 shares of the Company at the placing price of HK\$0.235 per share (the "Placing") to not less than six independent placees who are professional, institutional and other investors selected and procured by or on behalf of the placing agents. The net proceeds from the Placing amounted to approximately HK\$14.1 million (after deducting the placing commission and other expenses). The closing price of the shares was HK\$0.28 on the date of the Placing agreement and the net issue price per Placing share (after deduction of the Placing commission and other related expenses) was approximately HK\$0.22.

The following sets forth the comparison between the intended uses of net proceeds from the Placing as mentioned above:

	Planned use of proceeds from the Placing	Actual use of proceeds up to 31 December 2019	Remaining proceeds as at 31 December 2019	Transfer of the unutilised balance of proceeds to restaurant operation	Actual use of proceeds during the period	Revised total remaining proceeds as at 30 June 2020
(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	(HK\$3.0 million) (Note (2))	–
(3)	General working capital (Note (1))	HK\$2.6 million	HK\$2.6 million	–	–	–
(4)	Restaurant operation	–	–	–	HK\$3.0 million	–
		HK\$14.1 million	HK\$11.1 million	HK\$3.0 million	–	HK\$3.0 million

Notes:

- (1) The net proceeds from the Placing which were originally planned for use as the general working capital amounted to HK\$2.6 million have been fully utilised as the payment for the settlement of the renovation cost for Mango Tree (Kowloon) Restaurant prior to the commencement of the new lease in September 2019.
- (2) The unutilised balance of HK\$3.0 million allocated from the proceeds had been transferred to restaurant operation in order to meet the cash requirement impacted by the loss of revenue arising from the severe and challenging operating environment faced by the Group. During the second quarter of the year, the Company had used up all the remaining balance of the proceeds.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. During the period ended 30 June 2020, the Group generated 99.5% of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements and some recent social uncertainties or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

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

1. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.
2. Minimum wage requirements in Hong Kong was raised to HK\$37.5 per hour with effect from 1 May 2019.
3. As at 30 June 2020, the Group leased all the properties for its restaurants operating in Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and the Announcement, in the 2019 annual report and in this interim report, the Group did not have other plans for material investments and capital assets as of the date of this report.

Management Discussion and Analysis

COMPARISON OF BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the prospectus of the Company dated 23 November 2017 (the “Prospectus”) with the Group’s actual business progress for the period from 5 December 2017 (being the date on which the Company listed on GEM of the Stock Exchange) to the date of this report is set out below:

	Business plan as stated in the Prospectus	Actual business progress up to 30 June 2020
1.	Continue to develop our brand portfolio and expand our restaurant network	<p>Settlement of part of the setting up and opening costs of Paper Moon Restaurant</p> <p>Settled certain costs for Paper Moon Restaurant</p> <p>Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong</p> <p>10 Shanghai Restaurant has opened in January 2018</p> <p>Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong</p> <p>Ta-ke Restaurant has opened in March 2018</p> <p>Set up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou</p> <p>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</p> <p>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</p> <p>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</p> <p>Open a restaurant under the Hokkaidon brand and a restaurant under the Mango Tree brand in a shopping mall in Hong Kong</p> <p>The Group is still in the process of identifying a desirable location to open the restaurant</p> <p>The expansion plan in Hong Kong is temporarily suspended since the third quarter of 2019</p>

Management Discussion and Analysis

	Business plan as stated in the Prospectus	Actual business progress up to 30 June 2020
1.	<p>Continue to develop our brand portfolio and expand our restaurant network (Continued)</p> <p>Open a restaurant under the Modern Shanghai brand in a shopping mall in Hong Kong</p> <p>Set up a restaurant under the Mango Tree Café brand in a shopping mall in Shenzhen</p> <p>Set up a restaurant under a refined Ta-ke brand in a shopping mall in Shenzhen</p>	<p>Modern Shanghai (Olympian City) Restaurant has opened in September 2019</p> <p>The Group is still in the process of identifying a desirable location to open the restaurant</p> <p>The Group is still in the process of identifying a desirable location to open the restaurant</p>
2.	<p>Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC</p> <p>Identify new sources of PRC clients</p>	<p>Negotiating for the new pre-opening consultancy contract in PRC</p>
3.	<p>Enhance our brand recognition by continuing to bring high quality ingredients and new dishes to our customers</p> <p>Marketing activities including media tasting, special menu promotion and joint promotions with different organisations</p>	<p>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</p>

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.

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. However, due to the slow down of economic growth in Hong Kong since 2019 and the outbreak of COVID-19 in the PRC impacted both the PRC and Hong Kong, we have suspended all the planned investment projects temporarily.

As at 30 June 2020, the Group has received an aggregate of approximately HK\$4,965,000 from the government, being the subsidies for the food and beverage business. Majority of the receipts will be used for the payment of employee salaries for the latter half of the year 2020.

Management Discussion and Analysis

Due to the severity of the pandemic, the government further announced to tighten social-distancing measures and banning of daytime dining at restaurants for 2 days with effect from 29 July 2020 to 30 July 2020, and then the dine-in services resumed partially and were banned from 6 p.m. until 5 a.m. and restricted to no more than two people were allowed per table from 31 July 2020 to 11 August 2020 which may subject to further extension depending on the circumstances.

Nevertheless, the Group has implemented cost-saving measures including but not limited to minimising the usage of staff in our restaurants, negotiating with our landlords for rent concession and our suppliers for purchase discounts, and some sales stimulating measures including but not limited to increasing additional marketing efforts and expanding the take-away product line or even considering temporary closure of our certain restaurants with relatively high operation costs when find necessary to partially offset the potential adverse impacts.

Meanwhile, in view of the uncertainty brought by the outbreak of COVID-19 and economic contraction in Hong Kong, the industry will 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.

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 endeavour to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders (the "**Shareholders**").

Corporate Governance and Other Information

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

As at 30 June 2020, 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 under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Notes:

- (1) Among the 64,000,000 shares, 60,000,000 shares 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 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 30 June 2020, 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 under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company 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%

Corporate Governance and Other Information

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 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 equity interest of 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 accordingly.

Save as disclosed above, as at 30 June 2020, 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 and 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 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 3 months.

Up to 30 June 2020, no share option has been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CORPORATE GOVERNANCE

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

Corporate Governance and Other Information

CHANGE TO DIRECTORS' INFORMATION

Mr. How Sze Ming, the independent non-executive Director, has resigned as an independent non-executive director of Forgame Holdings Limited (stock code: 484, its shares are listed on the Main Board of the Stock Exchange) since 30 April 2020.

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has reviewed the interim results for the six months ended 30 June 2020. The Audit Committee is of the view that the condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, sufficient disclosures have already been made.

The condensed consolidated financial results for the six months ended 30 June 2020 are unaudited and have not been audited or reviewed by the Company's auditors.

EVENTS AFTER THE REPORTING PERIOD

Save as mentioned above regarding the various further tightening social-distancing measures, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2020.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2020.

Corporate Governance and Other Information

PUBLICATION OF INTERIM REPORT

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

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

Hong Kong, 5 August 2020

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