



# 1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

## Third Quarterly Report 2019



## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

# Financial Highlights

During the nine months ended 30 September 2019:

- the Group recorded unaudited revenue of approximately HK\$263.2 million (2018: HK\$257.0 million), representing an increase of approximately 2.4% as compared to the corresponding period ended 30 September 2018;
- the newly opened restaurant in Hong Kong in late September 2019, namely Modern Shanghai (Olympian City) Restaurant, had incurred an aggregated unaudited net loss of approximately HK\$2.4 million in relation to the pre-opening expenses and operating losses in initial stages of operation where approximately HK\$1.4 million of the net loss was attributable to the owners of the Company; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$8.5 million (2018: HK\$7.8 million) and an unaudited net loss of approximately HK\$7.9 million (2018: HK\$12.3 million).

During the three months ended 30 September 2019:

- the Group recorded unaudited revenue of approximately HK\$86.3 million (2018: HK\$89.5 million), representing a decrease of 3.6% as compared to the corresponding period ended 30 September 2018; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$6.6 million (2018: HK\$0.4 million) and an unaudited net loss of approximately HK\$5.8 million (2018: HK\$1.1 million).

# Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2019

## THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (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 nine months ended 30 September 2019, together with the unaudited comparative figures for the corresponding periods in 2018, as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	2019	2018
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	<b>86,304</b>	89,453	<b>263,246</b>	256,954
Other income and losses, net		<b>(6)</b>	18	<b>(74)</b>	(51)
Cost of inventories sold		<b>(21,996)</b>	(22,623)	<b>(66,706)</b>	(65,380)
Employee benefit expenses		<b>(31,776)</b>	(30,529)	<b>(94,338)</b>	(90,874)
Depreciation and amortisation		<b>(20,732)</b>	(18,762)	<b>(58,133)</b>	(56,626)
Royalty fees		<b>(1,240)</b>	(1,428)	<b>(3,740)</b>	(3,920)
Rental expenses		<b>(1,723)</b>	(2,297)	<b>(5,627)</b>	(6,539)
Utilities		<b>(2,352)</b>	(2,402)	<b>(7,075)</b>	(7,091)
Other operating expenses		<b>(10,211)</b>	(9,668)	<b>(29,497)</b>	(30,710)
<b>Operating (loss)/profit</b>		<b>(3,732)</b>	1,762	<b>(1,944)</b>	(4,237)
Finance income		<b>21</b>	13	<b>56</b>	28
Finance costs	4	<b>(1,486)</b>	(1,492)	<b>(3,923)</b>	(4,791)
Finance costs, net		<b>(1,465)</b>	(1,479)	<b>(3,867)</b>	(4,763)
Share of losses of associates		<b>(50)</b>	(325)	<b>(318)</b>	(1,125)
<b>Loss before income tax</b>		<b>(5,247)</b>	(42)	<b>(6,129)</b>	(10,125)
Income tax expense	5	<b>(576)</b>	(1,030)	<b>(1,811)</b>	(2,140)
Loss for the period		<b>(5,823)</b>	(1,072)	<b>(7,940)</b>	(12,265)
<b>(Loss)/profit for the period attributable to:</b>					
— Owners of the company		<b>(6,649)</b>	(373)	<b>(8,540)</b>	(7,829)
— Non-controlling interests		<b>826</b>	(699)	<b>600</b>	(4,436)
		<b>(5,823)</b>	(1,072)	<b>(7,940)</b>	(12,265)
<b>Losses per share attributable to owners of the company for the period (expressed in HK cents per share)</b>					
— Basic and diluted	7	<b>(1.91)</b>	(0.12)	<b>(2.45)</b>	(2.45)

# Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2019

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(5,823)</b>	(1,072)	<b>(7,940)</b>	(12,265)
<b>Other comprehensive income/(loss)</b> <i>Items that may be reclassified to profit or loss</i>				
— Currency translation differences	<b>165</b>	(72)	<b>162</b>	(115)
<b>Total comprehensive loss for the period</b>	<b>(5,658)</b>	(1,144)	<b>(7,778)</b>	(12,380)
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
— Owners of the company	<b>(6,484)</b>	(445)	<b>(8,378)</b>	(7,944)
— Non-controlling interests	<b>826</b>	(699)	<b>600</b>	(4,436)
	<b>(5,658)</b>	(1,144)	<b>(7,778)</b>	(12,380)

# Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2019

	Attributable to the owners of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)								
<b>Balance at 1 January 2018</b>	32	86,773	(2,983)	(2)	(12,807)	71,013	19,980	90,993
<b>Comprehensive loss</b>								
Loss and total comprehensive loss for the period	-	-	-	(115)	(7,829)	(7,944)	(4,436)	(12,380)
<b>Total comprehensive loss</b>	-	-	-	(115)	(7,829)	(7,944)	(4,436)	(12,380)
<b>Transaction with owners</b>								
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	1,520	1,520
<b>Total transaction with owners</b>	-	-	-	-	-	-	1,520	1,520
<b>Balance at 30 September 2018</b>	32	86,773	(2,983)	(117)	(20,636)	63,069	17,064	80,133
(Unaudited)								
<b>As at 1 January 2019</b>	<b>32</b>	<b>86,773</b>	<b>(2,983)</b>	<b>(427)</b>	<b>(18,427)</b>	<b>64,968</b>	<b>16,989</b>	<b>81,957</b>
<b>Comprehensive income/(loss)</b>								
(Loss)/profit for the period	-	-	-	-	(8,540)	(8,540)	600	(7,940)
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	162	-	162	-	162
<b>Total comprehensive income/(loss)</b>	-	-	-	162	(8,540)	(8,378)	600	(7,778)
<b>Transaction with owners</b>								
Capital contribution from non-controlling shareholders of subsidiaries (Note (a))	-	-	-	-	-	-	5,600	5,600
Share issued pursuant to the Placing	6	15,034	-	-	-	15,040	-	15,040
Transaction costs attributable to the Placing	-	(827)	-	-	-	(827)	-	(827)
Dividends paid to non-controlling interests in subsidiaries	-	-	-	-	-	-	(1,600)	(1,600)
<b>Total transaction with owners</b>	<b>6</b>	<b>14,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,213</b>	<b>4,000</b>	<b>18,213</b>
<b>Balance at 30 September 2019</b>	<b>38</b>	<b>100,980</b>	<b>(2,983)</b>	<b>(265)</b>	<b>(26,967)</b>	<b>70,803</b>	<b>21,589</b>	<b>92,392</b>

(a) The amount represents capital contribution from non-controlling shareholders of subsidiaries by additional loan from shareholders of HK\$5,600,000.



# 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 third quarterly financial statements of the Group for the nine months ended 30 September 2019 (the "**Consolidated Financial Results**") have been prepared in accordance with the accounting principles generally accepted in Hong Kong issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of GEM Listing Rules.

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

The Consolidated Financial Results 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 Consolidated Financial Results are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2018.

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

HKAS 12 (Amendment)	Income Taxes
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
HKAS 23 (Amendment)	Borrowing Costs
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
HKFRS 3 (Amendment)	Business Combinations
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HKFRS 11 (Amendment)	Joint Arrangements
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The application of these new HKFRSs in the current period 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 REVENUE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Operation of restaurants	<b>86,046</b>	89,111	<b>262,062</b>	253,694
Catering management and consultancy services	<b>258</b>	342	<b>1,184</b>	3,260
	<b>86,304</b>	89,453	<b>263,246</b>	256,954

## 4 FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expenses on bank borrowings	<b>235</b>	291	<b>732</b>	887
Interest expenses on lease liabilities	<b>1,251</b>	1,201	<b>3,191</b>	3,904
	<b>1,486</b>	1,492	<b>3,923</b>	4,791

## 5 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 nine months ended 30 September 2019.

## 6 DIVIDEND

No dividend has been paid or declared by the Company for the nine months ended 30 September 2019.



# Notes to the Condensed Consolidated Financial Statements

## 7 LOSSES PER SHARE

### (a) Basic

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Loss attributable to owners of the company (HK\$'000)	<b>(6,649)</b>	(373)	<b>(8,540)</b>	(7,829)
Weighted average number of ordinary shares in issues (in thousands)	<b>348,835</b>	320,000	<b>348,835</b>	320,000
Basic losses per share (HK cents)	<b>(1.91)</b>	(0.12)	<b>(2.45)</b>	(2.45)

### (b) Diluted

Diluted losses per share for the three months and nine months ended 30 September 2019 and 2018 were the same as the basic losses per share as there were no potential dilutive ordinary shares.

# 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 nine months ended 30 September 2019, the Group had been principally engaged in operating full services restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghaiese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provides restaurant management and consultancy services in Hong Kong and the PRC.

## BUSINESS REVIEW

### Hong Kong

During the nine months ended 30 September 2019 (the “**Review Period**”), the Group has opened a new restaurant namely Modern Shanghai (Olympian City) Restaurant serving Huaiyang (淮陽)/Shanghaiese cuisine. The restaurant commenced its operation on 20 September 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 and we did not close any restaurant during the Review Period.

As at 30 September 2019, 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 Hokkaido and three franchised or sub-licensed brands, namely, Mango Tree (including its junior brand, Mango Tree Café), Gonpachi and Paper Moon.

### The People’s Republic of China (“PRC”)

During the Review Period, the Group has a minority stake of 15.0% in the operating company of the invested 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). The restaurant commenced its operation on 25 September 2019.

As at 30 September 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 and Beverage Co. Ltd (廣州芒果樹餐飲有限公司) and Guangzhou Ten Shanghai Food and Beverage Co. Ltd (廣州十里弄堂餐飲有限公司) 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 provide restaurant management consultancy services to these three restaurants.

As disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 23 November 2017 (the “**Prospectus**”), the Group will continue to open new restaurants in Hong Kong going forward, and will invest in minority stake of up to 25% in certain holding companies of restaurants to be opened in the PRC. However, the Group noted that there are some 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 shopping malls where the restaurants of the Group are located, 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 increase downward pressure of the domestic economy and will temporarily suspend 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.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

During the Review Period, approximately 99.6% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.4% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 September 2019, the Group was operating thirteen (2018: twelve) restaurants, of which one (2018: one) restaurant was newly opened, no (2018: one) restaurant was relocated and renamed and no (2018: no) restaurant was closed down during the Review Period in Hong Kong.

The revenue of the Group slightly increased by approximately 2.4% from approximately HK\$257.0 million for the nine months ended 30 September 2018 to approximately HK\$263.2 million for the nine months ended 30 September 2019. The revenue remained flat because the results had already accounted for the increased number of restaurants fully in operation during the entire Review Period as compared to the corresponding period in 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 shopping malls where the restaurants of the Group are located.

The Group served mainly 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 nine months ended 30 September			
	2019		2018	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Vietnamese	57,543	22.0	61,352	24.2
Thai	55,718	21.2	59,537	23.5
Japanese	65,953	25.2	57,076	22.5
Shanghainese	53,740	20.5	46,286	18.2
Italian	29,108	11.1	29,443	11.6
Total	262,062	100.0%	253,694	100.0%

# Management Discussion and Analysis

## **Vietnamese-style restaurants**

The revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK\$3.9 million, or approximately 6.4%, from approximately HK\$61.4 million for the nine months ended 30 September 2018 to approximately HK\$57.5 million for the nine months ended 30 September 2019. Such decrease was due to the factors as mentioned above.

## **Thai-style restaurants**

The revenue generated from operation of Thai-style restaurants decreased by approximately HK\$3.8 million, or approximately 6.4%, from approximately HK\$59.5 million for the nine months ended 30 September 2018 to approximately HK\$55.7 million for the nine months ended 30 September 2019. Such decrease was also mainly due to the factors as mentioned above.

## **Japanese-style restaurants**

The revenue generated from operation of Japanese-style restaurants increased by approximately HK\$8.9 million, or approximately 15.6%, from approximately HK\$57.1 million for the nine months ended 30 September 2018 to approximately HK\$66.0 million for the nine months ended 30 September 2019. Such increase was mainly resulted from the differences in the aggregate contribution by the Ta-ke Japanese Restaurant (“**Ta-ke**”) which fully operated for nine months in 2019 as compared to the corresponding period in 2018 in which only operated for six 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\$7.4 million, or approximately 16.0%, from approximately HK\$46.3 million for the nine months ended 30 September 2018 to approximately HK\$53.7 million for the nine months ended 30 September 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 eight months in 2018 as compared to its operation for the entire nine months in the corresponding period in 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 slightly decreased by approximately HK\$0.3 million, or approximately 1.0%, from approximately HK\$29.4 million for the nine months ended 30 September 2018 to approximately HK\$29.1 million for the nine months ended 30 September 2019. Such decrease was mainly resulted from the drop in number of visitors and the factors as mentioned above.

# 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\$66.7 million and HK\$65.4 million for each of the nine months ended 30 September 2019 and 2018, respectively, representing approximately 25.4% and 25.8% of the Group's total revenue generated from operation of restaurants for the corresponding periods. Our management has been very conscious in striking the balance between food cost and food quality to maintain a relatively stable food cost as a percentage of revenue as we carried out continuous review and monitor of our costs, recipes, menus and customers feedbacks.

## Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits, and were one of the largest components of the operating expenses of the Group. The staff costs increased from approximately HK\$90.9 million for the nine months ended 30 September 2018 to approximately HK\$94.3 million for the nine months ended 30 September 2019, representing an increase of approximately 3.7% in comparison. Such increase was mainly because the full team was in operation for all our twelve restaurants during the Review Period as compared with a slightly smaller team as a result of certain of our new restaurants which were opened and operated for a shorter term during the corresponding period in 2018 and further contributed from the incremental staff cost incurred for a newly opened restaurant in late September 2019.

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 may continue to increase as labour market pressures in Hong Kong may continue to drive up.

The Directors recognise the importance of retaining quality staff while believe that the resulting upward pressure on the total staff costs as a percentage of total revenue could be mitigated by (i) prioritising internal transfers and re-allocations of employees from existing restaurants; (ii) increasing productivity of the staff by providing training; and (iii) minimising attrition levels by continuing to implement various employee retention initiatives to promote employee loyalty and motivate the employees.

## Depreciation and amortisation

Depreciation and amortisation was approximately HK\$58.1 million and HK\$56.6 million for the nine months ended 30 September 2019 and 2018, 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 the 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 expense was mainly contributed by the incremental amortisation of right-of-use assets followed by renewal of the lease and licence agreements of our two restaurants, and commencement of a new lease agreement of Modern Shanghai (Olympian City) Restaurant during the Review Period.

## Rental expenses

The rental expenses for the nine months ended 30 September 2019 amounted to approximately HK\$5.6 million, representing a decrease of approximately 13.8% as compared with that of the nine months ended 30 September 2018 which amounted to approximately HK\$6.5 million. Such decrease was mainly due to the decrease in turnover rent as a result of the decrease in revenue for our certain restaurants during the Review Period.



# Management Discussion and Analysis

## Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 30 September 2019 and 2018, the total utility amounted to approximately HK\$7.1 million and HK\$7.1 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\$30.7 million for the nine months ended 30 September 2018 to approximately HK\$29.5 million for the nine months ended 30 September 2019, representing a decrease of approximately 3.9%. The decrease was mainly attributable to the decrease in number of newly opened and relocated restaurants which resulted in a reduction in pre-opening expenses during the Review Period, as compared to the corresponding period in 2018.

## Income tax expenses

The income tax expenses decreased from approximately HK\$2.1 million for nine months ended 30 September 2018 to approximately HK\$1.8 million for the nine months ended 30 September 2019.

## Finance costs

The Group's finance costs decreased from approximately HK\$4.8 million for the nine months ended 30 September 2018 to approximately HK\$3.9 million for the nine months ended 30 September 2019 principally due to the reduction of the interest expenses on lease liabilities.

## Loss for the period

The Group recorded a loss of approximately HK\$7.9 million for the nine months ended 30 September 2019 as compared to a loss of approximately HK\$12.3 million for the corresponding period in 2018. The reduction in loss during the Review Period as compared with the same period of 2018 was resulted from (i) the differences in the aggregate contribution by Ta-ke Japanese Restaurant which fully operated for nine months in 2019 as compared with only approximately six months operation in 2018; (ii) the differences in the aggregate contribution by 10 Shanghai Restaurant which fully operated for nine months in 2019 as compared with only approximately eight months operation in 2018; 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.

However, the reduction effect was partially netted off by (i) the increase in depreciation and amortisation of right-of-use assets which were resulted from the renewal of the lease of our two restaurants and the commencement of a new lease for Modern Shanghai (Olympian City) Restaurant during the Review Period; (ii) the net contribution by Modern Shanghai (Olympian City) Restaurant which operated for ten days in 2019; (iii) the decrease in contribution by Mango Tree (Kowloon) Restaurant which has temporarily closed for approximately two weeks for renovation; and (iv) the increase in depreciation for capital expenditures related to the renovation work for Mango Tree (Kowloon) Restaurant.



# Management Discussion and Analysis

## PROSPECT

In view of the recent adverse changes on the economy, the Group will adopt a more conservative and cautious approach on executing our expansion plans.

We will temporarily suspend all the expansion plans in Hong Kong. Besides, the Group will place more efforts proactively in identifying adequate opportunities for the opening and management of new restaurants in the PRC with or without our minority stake investment in a cautious manner.

During the Review Period, the Group noted that the food and beverage industry is facing a very challenging business environment including a slowdown in economic growth in Hong Kong, some signs of weak consumer sentiment, the decrease in number of visitors also greatly affected their total consumptions in our restaurants, coped with the uncertainties of the global economy and ad-hoc variation or shortening of opening hours of shopping malls where the restaurants of the Group are located. On the other hand, the costs of major food ingredients increased, and certain of the increase was contributed by the increased food usage for the promotion offers, coupled with the increased rental expenses as a result of the renewal of lease agreements and commencement of a new lease, the increased staff costs and other operating expenses which led to a further increase in operating costs and expenses for the full-service restaurants operators.

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. Meanwhile, the Group will also closely monitor and evaluate the performance of each restaurant and take a proactive approach (including, but not limited to, cost control measures) to reduce the possible adverse impact brought by the underperformed restaurants to the Group.

Following the adoption of a more prudent and conservative approach, we will first suspend the expansion projects in Hong Kong. The Group intends to change the proposed use of the unutilised net proceeds in the amount of HK\$3.4 million originally planned to open a restaurant under the Hokkaidon brand in Hong Kong to a) partly in the amount of HK\$2.4 million to the restaurant operations of the Group to cope with the need which is estimated to be crucial for the coming months in view of a very severe and challenging operating environment to be faced by the Group, such as the impacts on loss of revenue arising from the ad-hoc variation or shortening opening hours of shopping malls of our restaurants located and b) partly in the amount of HK\$1.0 million for the investment in a restaurant by a minority stake or for the development of our management and consultancy services in the PRC. The re-allocation of unutilised net proceeds will be able to meet the Company's current operational needs and is in the best interests of the Company and its shareholders as a whole. We will closely assess the plans for the use of the net proceeds, and may revise the plans where necessary to cope with the changing market conditions and strive for better performance of the Group.

We will continue to review the operation and evaluate the performance of our existing restaurants, and formulate adequate strategies for each restaurant in response to changes in the industry and the market with a view to maximising 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 better growth potential comparatively and expect that there will be an increasing demand for restaurant consultancy services. Therefore, we will pay more attention and efforts to identify business opportunities to develop in these areas so as to expand the growth potential and reduce the risk of operation in Hong Kong.

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 September 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 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 are held by Perfect Emperor Limited which is wholly owned by Mr. Kwan. As such, Mr. Kwan is deemed to be interested in all the shares held by Perfect Emperor pursuant to Part XV of the SFO. The remaining 4,000,000 shares are beneficially held by Mr. Kwan.
- (2) The 15,362,400 shares are held by P.S Hospitality Limited which is wholly owned by Mr. Kwok. As such, Mr. Kwok is deemed to be interested in all the shares held by P.S Hospitality Limited pursuant to Part XV of the SFO.
- (3) Among the 90,256,800 shares, 67,576,800 shares are held by Sino Explorer Limited ("Sino Explorer") and 22,680,000 shares are held by All Victory Global Limited ("All Victory"). Both Sino Explorer and All Victory are wholly owned by 1957 & Co. Limited, which is in turn wholly owned by Mr. Leung. As such, Mr. Leung is deemed to be interested in all the shares held by Sino Explorer and All Victory pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 September 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 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.

# 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 September 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 which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Kwan Wai Ling Alicia	Interest of spouse (Note 1)	64,000,000	Long	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 is deemed to be interested in the same number of shares held by Mr. Kwan.
- (2) 1957 & Co. Limited holds 100% of equity interest of Sino Explorer and All Victory. Accordingly, 1957 & Co. Limited is deemed to be interested in 67,576,800 shares held by Sino Explorer and 22,680,000 shares held by All Victory.
- (3) Ms. Chan Siu Wan is the spouse of Mr. Leung and is deemed to be interested in the same number of shares held by Mr. Leung.
- (4) Ms. Leung holds 99.99% of equity interest of Pearl Global Development Limited. Therefore, she is deemed to be interested in 19,764,000 shares held by Pearl Global Development Limited.
- (5) Mr. Poon is the husband of Ms. Leung and is deemed to be interested in the same number of shares held by Ms. Leung accordingly.

Save as disclosed above, as at 30 September 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 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 8 years.

Up to 30 September 2019, 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 and Other Information

## 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 (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 Relevant Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## INTERESTS OF COMPLIANCE ADVISER

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

## REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has reviewed the third quarterly results for the three and nine months ended 30 September 2019. 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 three and nine months ended 30 September 2019 are unaudited and have not been audited or reviewed by the Company’s auditors.



# Corporate Governance and Other Information

## EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2019 and up to the date of this report.

## DIVIDEND

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2019.

## MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 30 September 2019.

## PUBLICATION OF THIRD QUARTERLY REPORT

The third quarterly 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](http://www.hkexnews.hk) and on the website of the Company at [www.1957.com.hk](http://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, 7 November 2019

*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.*