



# 1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

## Third Quarterly Report 2020



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

# Financial Highlights

During the nine months ended 30 September 2020:

- the Group recorded unaudited revenue of approximately HK\$229.0 million (2019: HK\$263.2 million), representing a decrease of approximately 13.0% as compared to the corresponding period ended 30 September 2019; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$7.8 million (2019: HK\$8.5 million) and an unaudited net loss of approximately HK\$9.5 million (2019: HK\$7.9 million).

During the three months ended 30 September 2020:

- the Group recorded unaudited revenue of approximately HK\$70.6 million (2019: HK\$86.3 million), representing a decrease of 18.2% as compared to the corresponding period ended 30 September 2019; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$1.3 million (2019: HK\$6.6 million) and an unaudited net loss of approximately HK\$1.9 million (2019: HK\$5.8 million).

# Condensed Consolidated Statement of Profit or Loss

For the three months and nine months ended 30 September 2020

## THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2020, together with the unaudited comparative figures for the corresponding periods in 2019, as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	70,606	86,304	229,031	263,246
Other income and losses, net	4	11,010	(6)	16,075	(74)
Cost of inventories sold		(20,945)	(21,996)	(64,789)	(66,706)
Employee benefit expenses		(27,773)	(31,776)	(82,868)	(94,338)
Depreciation and amortisation		(20,761)	(20,732)	(62,094)	(58,133)
Royalty fees		(948)	(1,240)	(3,170)	(3,740)
Rental expenses		(2,057)	(1,723)	(5,357)	(5,627)
Utilities		(2,108)	(2,352)	(6,802)	(7,075)
Other operating expenses	5	(7,996)	(10,211)	(24,833)	(29,497)
<b>Operating loss</b>		<b>(972)</b>	<b>(3,732)</b>	<b>(4,807)</b>	<b>(1,944)</b>
Finance income		1	21	18	56
Finance costs	6	(1,131)	(1,486)	(3,965)	(3,923)
Finance costs, net		(1,130)	(1,465)	(3,947)	(3,867)
Share of results of associates		67	(50)	(574)	(318)
<b>Loss before income tax</b>		<b>(2,035)</b>	<b>(5,247)</b>	<b>(9,328)</b>	<b>(6,129)</b>
Income tax credit/(expense)	7	132	(576)	(146)	(1,811)
Loss for the period		(1,903)	(5,823)	(9,474)	(7,940)
<b>(Loss)/profit for the period attributable to:</b>					
— Owners of the Company		(1,284)	(6,649)	(7,770)	(8,540)
— Non-controlling interests		(619)	826	(1,704)	600
		(1,903)	(5,823)	(9,474)	(7,940)
<b>Losses per share attributable to owners of the Company for the period</b> (HK cents)					
— Basic and diluted	9	(0.33)	(1.91)	(2.02)	(2.45)

# Condensed Consolidated Statement of Other Comprehensive Income

For the three months and nine months ended 30 September 2020

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(1,903)</b>	(5,823)	<b>(9,474)</b>	(7,940)
<b>Other comprehensive income</b>				
<i>Item that may be reclassified to profit or loss</i>				
— Currency translation differences	<b>210</b>	165	<b>172</b>	162
<b>Total comprehensive loss for the period</b>	<b>(1,693)</b>	(5,658)	<b>(9,302)</b>	(7,778)
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
— Owners of the Company	<b>(1,088)</b>	(6,484)	<b>(7,598)</b>	(8,378)
— Non-controlling interests	<b>(605)</b>	826	<b>(1,704)</b>	600
	<b>(1,693)</b>	(5,658)	<b>(9,302)</b>	(7,778)

# Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2020

	Attributable to the owners of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
<b>(Unaudited)</b>								
<b>Balance at 1 January 2019</b>	32	86,773	(2,983)	(427)	(18,427)	64,968	16,989	81,957
<b>(Loss)/profit for the period</b>	-	-	-	-	(8,540)	(8,540)	600	(7,940)
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	162	-	162	-	162
<b>Total comprehensive income/ (loss) for the period</b>	-	-	-	162	(8,540)	(8,378)	600	(7,778)
<b>Transaction with owners</b>								
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	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>	6	14,207	-	-	-	14,213	4,000	18,213
<b>Balance at 30 September 2019</b>	38	100,980	(2,983)	(265)	(26,967)	70,803	21,589	92,392
<b>(Unaudited)</b>								
<b>Balance at 1 January 2020</b>	<b>38</b>	<b>100,980</b>	<b>(2,983)</b>	<b>(613)</b>	<b>(32,616)</b>	<b>64,806</b>	<b>9,833</b>	<b>74,639</b>
<b>Loss for the period</b>	-	-	-	-	(7,770)	(7,770)	(1,704)	(9,474)
<b>Other comprehensive income/(loss)</b>								
Currency translation differences	-	-	-	179	-	179	(7)	172
<b>Total comprehensive income/ (loss) for the period</b>	-	-	-	179	(7,770)	(7,591)	(1,711)	(9,302)
<b>Balance at 30 September 2020</b>	<b>38</b>	<b>100,980</b>	<b>(2,983)</b>	<b>(434)</b>	<b>(40,386)</b>	<b>57,215</b>	<b>8,122</b>	<b>65,337</b>

# 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 2020 (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 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance Cap. 622.

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 2019.

In the current period, the Group has applied the following new or revised HKFRS ("**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 had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these 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	
	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	70,236	86,046	227,934	262,062
Catering management and consultancy services, recognised overtime	370	258	1,097	1,184
	70,606	86,304	229,031	263,246

# Notes to the Condensed Consolidated Financial Statements

## 4 OTHER INCOME AND LOSSES, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government subsidies	10,689	–	15,654	–
Other income/(loss)	321	(6)	421	(74)
	11,010	(6)	16,075	(74)

## 5 OTHER OPERATING EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditor's remuneration	317	358	1,000	1,120
Advertising and promotion	155	428	662	1,076
Cleaning and laundry expenses	2,541	3,247	7,539	9,691
Credit card charges	1,217	1,617	4,124	4,879
Commission	614	323	1,736	987
Legal and professional fees	685	1,016	2,370	3,253
Paper and related supplies	613	235	1,582	709
Restaurant supplies and consumables	713	969	1,897	2,297
Repairs and maintenance	326	501	1,197	1,389
Miscellaneous	815	1,517	2,726	4,096
	7,996	10,211	24,833	29,497

## 6 FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	105	235	462	732
Interest expenses on lease liabilities	1,026	1,251	3,503	3,191
	1,131	1,486	3,965	3,923



# 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 nine months ended 30 September 2020.

## 8 DIVIDEND

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

## 9 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	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Loss attributable to owners of the Company (HK\$'000)	<b>(1,284)</b>	(6,649)	<b>(7,770)</b>	(8,540)
Weighted average number of ordinary shares in issue (in thousands)	<b>384,000</b>	348,835	<b>384,000</b>	348,835
Basic losses per share (HK cents)	<b>(0.33)</b>	(1.91)	<b>(2.02)</b>	(2.45)

### (b) Diluted

Diluted losses per share for the three months and nine months ended 30 September 2020 and 2019 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 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 provides restaurant management and consultancy services in Hong Kong and the Mainland of People’s Republic of China (“**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 regulations and measures include, among other things, complete banning of dine-in (which has been uplifted), the limit of the restaurant seating capacity which is reviewed weekly and may change upon the number of infected cases identified and it is capped at 75 per cent with no more than six people are allowed per table as at the date of this report while the tables must be kept 1.5 metres apart. The outlook down the road depends critically on how the situation of the COVID-19 outbreak will evolve in Hong Kong 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 be cautious in running our business.

## BUSINESS REVIEW

### Hong Kong

As at 30 September 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 nine months ended 30 September 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.

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 significantly reduced the number of overseas and mainland visitors and affected the food and beverage business of Hong Kong. Furthermore, various measures including the banning of dine-in (which has been uplifted), the limit of the restaurant seating capacity be capped at 50 per cent, no more than four people are allowed per table and the tables must be kept 1.5 metres apart have a great impact on the business operation.

# Management Discussion and Analysis

## PRC

As at 30 September 2020, the Group has a total of three invested restaurants in the PRC with minority stake investment in each of their respective operating companies, including 24.9% equity interests in each of the respective operating companies 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 catering management and consultancy 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 and there is a sign of recovery in the third quarter of 2020. 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 in the PRC. 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 catering management and consultancy services. As at 30 September 2020, the Group was operating thirteen (2019: thirteen) restaurants, of which no (2019: one) restaurant was newly opened, no (2019: no) restaurant was relocated and renamed and no (2019: no) restaurant was closed down during the Review Period.

The Group's revenue decreased by approximately 13.0% from approximately HK\$263.2 million for the nine months ended 30 September 2019 to approximately HK\$229.0 million for the nine months ended 30 September 2020. The outbreak of the COVID-19 continued to weaken Hong Kong's economy and affect the customer sentiment, the substantial decrease in the number of visitors coming to Hong Kong greatly affected their total consumption in our restaurants, the uncertainties of the global economy and the measures and controls imposed by the government affected the business operation of 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 nine months ended 30 September			
	2020		2019	
	Revenue	% of total	Revenue	% of total
	HK\$'000	Revenue (%)	HK\$'000	Revenue (%)
Shanghainese	58,199	25.5	53,740	20.5
Japanese	57,625	25.3	65,953	25.2
Thai	44,746	19.6	55,718	21.2
Vietnamese	37,464	16.4	57,543	22.0
Italian	29,900	13.2	29,108	11.1
Total	227,934	100.0	262,062	100.0

## Shanghainese-style restaurants

Revenue generated from operation of Shanghainese-style restaurants increased by approximately HK\$4.5 million, or approximately 8.4%, from approximately HK\$53.7 million for the nine months ended 30 September 2019 to approximately HK\$58.2 million for the nine months ended 30 September 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.

## Japanese-style restaurants

Revenue generated from operation of Japanese-style restaurants decreased by approximately HK\$8.4 million, or approximately 12.7%, from approximately HK\$66.0 million for the nine months ended 30 September 2019 to approximately HK\$57.6 million for the nine months ended 30 September 2020. Such decrease was due to the factors as mentioned above.

## Thai-style restaurants

Revenue generated from operation of Thai-style restaurants decreased by approximately HK\$11.0 million, or approximately 19.7%, from approximately HK\$55.7 million for the nine months ended 30 September 2019 to approximately HK\$44.7 million for the nine months ended 30 September 2020. Such decrease was also mainly due to the factors as mentioned above.

## Vietnamese-style restaurants

Revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK\$20.0 million, or approximately 34.8%, from approximately HK\$57.5 million for the nine months ended 30 September 2019 to approximately HK\$37.5 million for the nine months ended 30 September 2020. Such decrease was due to the factors as mentioned above.

## Italian-style restaurant

Revenue generated from operation of Italian-style restaurant slightly increased by approximately HK\$0.8 million, or approximately 2.7%, from approximately HK\$29.1 million for the nine months ended 30 September 2019 to approximately HK\$29.9 million for the nine months ended 30 September 2020. One of the reasons for the increase in revenue was contributed by the new outside dining areas offered by the restaurant, while the impact of which has been partially offset by the adverse impacts brought by COVID-19.

# Management Discussion and Analysis

## Other income and losses, net

The Group recorded other income of approximately HK\$16.1 million for the nine months ended 30 September 2020 (2019: other losses of HK\$0.07 million). The increase was mainly attributable to the government subsidies received by the Group under Anti-epidemic Fund.

## Cost of inventories sold

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\$64.8 million and HK\$66.7 million for the nine months ended 30 September 2020 and 2019, respectively, representing approximately 28.3% and 25.3% of the Group's total revenue generated from operation of restaurants for the corresponding periods. The decrease in amount was mainly due to the cost reduction measures to cope with the decrease in revenue.

## 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\$94.3 million for the nine months ended 30 September 2019 to approximately HK\$82.9 million for the nine months ended 30 September 2020, representing a decrease of approximately 12.1% in comparison. 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\$62.1 million and HK\$58.1 million for the nine months ended 30 September 2020 and 2019, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle. As a result of the adoption of HKFRS 16 — Leases, lease expenses were reflected in the amortisation of right-of-use assets and related finance costs. The increase in depreciation and amortisation was mainly contributed by the increased amortisation of right-of-use assets following the renewal of lease agreements of restaurants, and commencement of a new lease agreement of Modern Shanghai (Olympian City) Restaurant since late September 2019.

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. 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.

# Management Discussion and Analysis

## Rental expenses

Rental expenses for the nine months ended 30 September 2020 amounted to approximately HK\$5.4 million, representing a decrease of approximately 3.6% as compared with that for the nine months ended 30 September 2019 which amounted to approximately HK\$5.6 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 consumed by the Group. For the nine months ended 30 September 2020 and 2019, total utility amounted to approximately HK\$6.8 million and HK\$7.1 million, respectively.

## Other operating expenses

Other operating expenses represent other 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.

Other operating expenses decreased from approximately HK\$29.5 million for the nine months ended 30 September 2019 to approximately HK\$24.8 million for the nine months ended 30 September 2020, representing a decrease of approximately 15.9%. This was mainly attributable to the cost reduction measures and the drop in revenue.

## Finance costs

Finance costs remained stable for the nine months ended 30 September 2020 and 2019.

## Share of results of associates

Share of losses of associates increased from approximately HK\$0.3 million for the nine months ended 30 September 2019 to approximately HK\$0.6 million for the nine months ended 30 September 2020 due to the decrease in revenue of the restaurants operated by the associates impacted by the outbreak of COVID-19 in the PRC. As the economy of PRC was recovering, the restaurants have generated more revenue in the third quarter of the year and recorded net profit for the three months ended 30 September 2020.

## Income tax expenses

Income tax expenses decreased from approximately HK\$1.8 million for nine months ended 30 September 2019 to approximately HK\$0.1 million for the nine months ended 30 September 2020. This was mainly attributable to the increase in loss before tax across various restaurants resulted from the drop in revenue.

## Loss for the period

The Group recorded a loss attributable to owners of the Company of approximately HK\$7.8 million and a net loss of approximately HK\$9.5 million for the nine months ended 30 September 2020 as compared to a loss attributable to owners of the Company of approximately HK\$8.5 million and a net loss of approximately HK\$7.9 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

## 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, we have suspended all the planned investment projects temporarily.

Up to and until 30 September 2020, the Group has received an aggregate total of approximately HK\$15,654,000 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 last quarter of 2020.

Due to the severity of the pandemic, the social distancing measures are still in force and the dine-in services restricted to no more than six people are allowed per table currently may subject to further extension depending on the circumstances.

Nevertheless, the Group has implemented various cost-saving measures including but not limited to minimising the usage of casual 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 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. The Group continuously monitored and reviewed the operating and financial performance of our restaurants and may consider not to renew the lease of a restaurant when the lease is about to expire or even early terminate the lease agreement if it is considered that the move is in the best interests of the Group and the Company's shareholders (the "**Shareholders**"). In deciding whether or not to renew a lease, the Group reviews the historical financial and operating performance of the restaurant and estimates the expected return on investment if the lease is to be renewed based on the preliminary terms of the renewal offer and compare it with the associated costs to be incurred if the lease is to be discontinued. If a lease is not renewed, despite uncertainties in the industry, the Group will still try our best to re-allocate those affected staff to our other restaurants to continue employment.

### **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. Therefore, we are in the course of actively identifying the restaurants opening and management projects in the PRC market as there is a sign that the pandemic is under a better control in Shenzhen and Guangzhou regions and the economic has been recovering a lot in these regions.

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 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 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)	64,092,000	Long	16.69%
Kwok Chi Po ("Mr. Kwok")	Interest in controlled corporation/ beneficial owner (Note 2)	16,406,400	Long	4.27%
Leung Chi Tien Steve ("Mr. Leung")	Interest in controlled corporation (Note 3)	96,408,800	Long	25.11%

Notes:

- (1) Among the 64,092,000 shares, 60,000,000 shares were held by Perfect Emperor Limited ("Perfect Emperor") 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 4,092,000 shares were beneficially held by Mr. Kwan.
- (2) Among the 16,406,400 shares, 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. The remaining 1,044,000 shares were beneficially held by Mr. Kwok.
- (3) Among the 96,408,800 shares, 73,728,800 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 September 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 September 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Kwan Wai Ling Alicia	Interest of spouse (Note 1)	64,092,000	Long	16.69%
1957 & Co. Limited	Interest in controlled corporation (Note 2)	96,408,800	Long	25.11%
All Victory Global Limited	Beneficial owner (Note 2)	22,680,000	Long	5.91%
Sino Explorer Limited	Beneficial owner (Note 2)	73,728,800	Long	19.20%
Chan Siu Wan	Interest of spouse (Note 3)	96,408,800	Long	25.11%
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 of Sino Explorer and All Victory. Accordingly, 1957 & Co. Limited was deemed to be interested in 73,728,800 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 September 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 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.

Up to 30 September 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 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 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.

## 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 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 three and nine months ended 30 September 2020 are unaudited and have not been audited or reviewed by the Company’s auditors.

## EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2020 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 2020.

## 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 2020.

# Corporate Governance and Other Information

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## 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, 5 November 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.*