



# 1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

## Annual 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.

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwok Chi Po (*Chief Executive Officer*)  
Mr. Kwan Wing Kuen Tino  
Mr. Lau Ming Fai

### Non-executive Directors

Mr. Leung Chi Tien Steve (*Chairman*)  
Ms. Chan Siu Wan

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORISED REPRESENTATIVES

Mr. Kwok Chi Po  
Mr. Fong Chi Wing

## COMPANY SECRETARY

Mr. Fong Chi Wing

## COMPLIANCE OFFICER

Mr. Kwok Chi Po

## LEGAL ADVISERS

as to Hong Kong law

### **S.W. Wong & Associates**

16th Floor  
Emperor Commercial Centre  
39 Des Voeux Road Central  
Central, Hong Kong

as to Cayman Islands and BVI law

### **Conyers Dill & Pearman**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## AUDITOR

### **PricewaterhouseCoopers**

*Certified Public Accountants*  
22/F, Prince's Building  
Central, Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 702, 7/F  
101 King's Road  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

### **Conyers Trust Company (Cayman) Limited**

P.O. Box 2681  
Cricket Square, Hutchins Drive  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

### **Tricor Investor Services Limited**

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

### **DBS Bank (Hong Kong) Limited**

11/F, the Center  
99 Queen's Road Central  
Hong Kong

### **The Hongkong and Shanghai Banking Corporation Limited**

1 Queen's Road Central  
Hong Kong

## COMPANY'S WEBSITE

[www.1957.com.hk](http://www.1957.com.hk)

## STOCK CODE

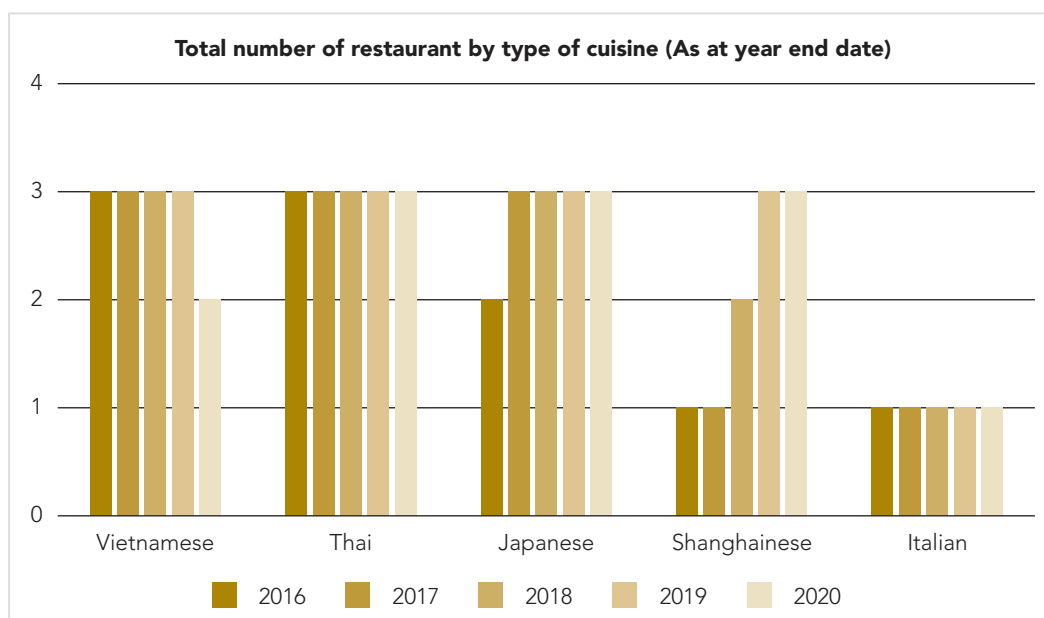
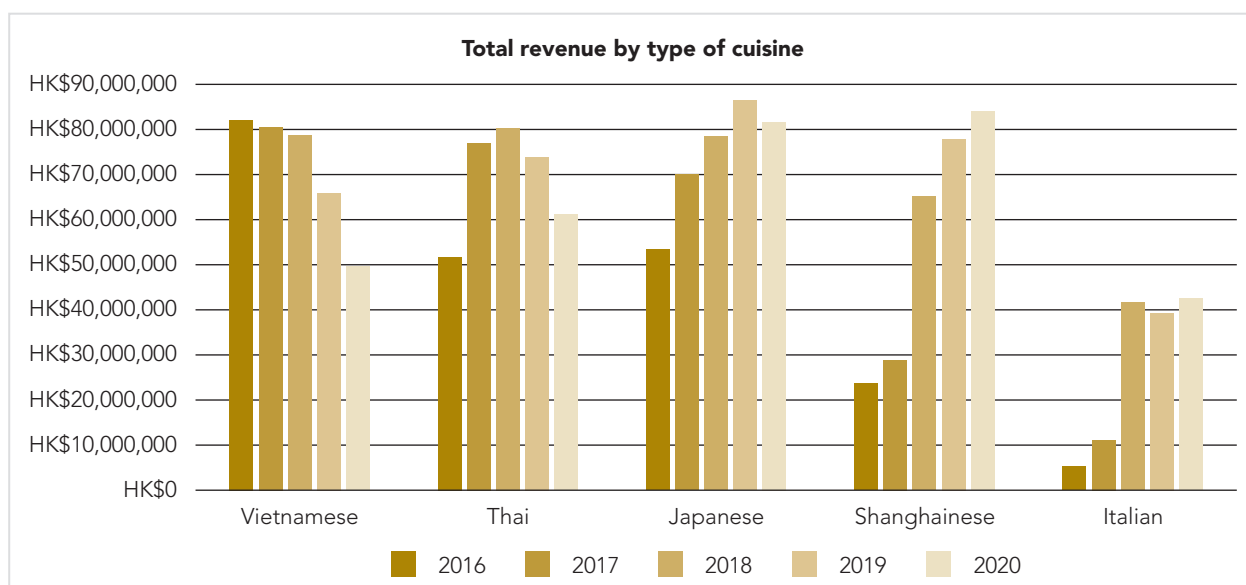
8495

## DATE OF LISTING

5 December 2017

# Financial Highlights

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	<b>320,452</b>	345,736	348,538	269,992	217,793
(Loss)/profit before tax, impairment loss on property, plant and equipment, listing expenses and Government grants	<b>(24,220)</b>	(5,739)	(7,153)	6,945	6,456
(Loss)/profit before tax	<b>(19,280)</b>	(17,339)	(7,153)	(9,049)	1,760
Net (loss)/profits attributable to owners of the Company	<b>(12,909)</b>	(14,189)	(5,620)	(11,094)	359
Total assets	<b>221,629</b>	283,713	280,943	352,118	202,998
Total liabilities	<b>165,255</b>	209,074	198,986	261,125	155,192
Net assets	<b>56,374</b>	74,639	81,957	90,993	47,806



# Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to announce the Group's annual results for the year ended 31 December 2020.

This is the third full year after the Company has successfully listed its shares on GEM of the Stock Exchange by way of share offer in December 2017 (the "**Listing**"). We adhered to our concept "Create an Original Lifestyle" throughout the year. The Group has adopted a prudent and conservative approach as a result of the continuously downturn of the Hong Kong economy and the increase in the challenging external environment as noted since the third quarter of 2019 and the impact from the outbreak of Coronavirus Disease 2019 (the "**COVID-19**") in Hong Kong since February 2020 and had subsequently developed to a global pandemic. The economy of Hong Kong has been severely affected. Therefore, expansion projects of the Group in Hong Kong had been put on hold during the year.

Moreover, in November 2020, we have surrendered the lease of a restaurant in Yoho Mall before its expiry in May 2021, as this restaurant's financial performance has long been below the Group's expectation due to insufficiency of customers flow in Yoho Mall especially during the weekdays. We considered that it may not be in the best interests of the Group and the shareholders of the Company (the "**Shareholders**") as a whole to accept the terms in the renewal of the tenancy (which will bear increased monthly rental and related costs) after taking into account the above and the uncertainties regarding the prospect of this restaurant and the likelihood of possible turnaround of its result in view of the social distancing measures which are currently in effect during the year.

During the year, the Group has used up all the remaining balances of approximately HK\$3.0 million bought forward from 2019 as unutilized balance in respect of the fund raised by way of a placing of 64,000,000 shares of the Company at the placing price of HK\$0.235 per share on 30 May 2019 (the "**Placing**"). The 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 2020.

## FINANCIAL RESULTS

For the year ended 31 December 2020, the total revenue of the Group was approximately HK\$320.5 million (2019: HK\$345.7 million), a year-over-year decrease of approximately 7.3%. Despite recording a decrease in revenue, we still recorded a reduced amount of loss for the year attributable to the owners of the Company to approximately HK\$12.9 million (2019: approximately HK\$14.2 million). The reduction of loss was mainly attributable to the Government grants received in the amount of approximately HK\$24.3 million during the year which net off by the drop in revenue of approximately HK\$25.2 million and the increase in impairment loss on property, plant and equipment of approximately HK\$7.8 million for four restaurants namely, Ta-ke Japanese Restaurant ("**Ta-ke**"), Mango Tree Café (Yoho) Restaurant, Mango Tree (Kowloon) Restaurant and Modern Shanghai (Olympian City) Restaurant (2019: Impairment loss on property, plant and equipment for two restaurants namely Ta-ke and Mango Tree Café (Yoho) Restaurant). The net loss incurred by these four restaurants were approximately HK\$27.3 million (2019: loss for two restaurants of approximately HK\$21.2 million), inclusive of approximately HK\$19.4 million (2019: HK\$11.6 million) of impairment loss on property, plant and equipment for the year ended 31 December 2020.

The Company will continue to closely monitor the performances of its restaurants, formulate adequate strategies and strike a balance between improving the financial performance of the restaurants and providing decent dining experiences at reasonable prices.

# Chairman's Statement

## BUSINESS REVIEW AND PROSPECTS

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

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

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

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

During the year and up to the date of this annual report, the Group has not opened any new restaurant in Hong Kong as we have temporarily suspended all the expansion projects in Hong Kong.

Looking forward, taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts, lower capital expenditures and/or more favourable rental package or rental concessions. On the other hand, the Company may, from time to time, invest in minority stakes in restaurant businesses in the PRC which carry our brands and are managed by us as and when we consider appropriate. However, in view of the uncertainty brought by the outbreak of COVID-19 in the PRC, the Group will be cautious in all investment related decisions.

Furthermore, the Group has been affected greatly by the outbreak of COVID-19 in Hong Kong since February 2020. As a result of the significant reduction in the number of customers visiting our restaurants from Hong Kong and Mainland China as well as the tight social distancing measures, the revenue of our restaurants has fallen by approximately 7.3% in aggregate in 2020 as compared with the corresponding year in 2019. We are actively taking various measures to stimulate the revenue by offering various promotions and new dishes to attract the customers and to lower our operating costs and to mitigate the impact on the Group, including but not limited to negotiating with landlords for rental reductions and with suppliers for purchase discounts and minimising the costs of hiring casual workers. The Company will continue to monitor the operating performance of the restaurants.

During the year of 2020, the Group has not opened and invested in any new restaurant (even by a minority stake) in the PRC. We have recorded a share of loss of associates of approximately HK\$1.1 million (2019: HK\$0.3 million). Nevertheless, we recorded management fee of approximately HK\$1.3 million (RMB1.1 million) from those restaurants during the year of 2020. The Company will continue to closely monitor the performances of its minority stake invested restaurants.

As at 31 December 2020, the Group has a cash balance of approximately HK\$64.7 million and a net cash inflow from the operating activities of approximately HK\$82.9 million during the year. We believe that the Group has sufficient cashflow to finance the new restaurant investment projects in Hong Kong and in the PRC, if any, on a minority stake investment basis.

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



# Chairman's Statement

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## APPRECIATION

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

**Leung Chi Tien Steve**

*Chairman*

Hong Kong, 18 March 2021

# Management Discussion and Analysis

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

During the year ended 31 December 2020, the Group had been principally engaged in operating full service restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provided catering management and consultancy services in Hong Kong and the PRC.

## INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 4 February 2021, the value of total receipts of the restaurants sector was provisionally estimated at HK\$79.4 billion for the whole year of 2020, representing a decrease of approximately 29.4% in value and 30.0% in volume compared with the whole year of 2019. Over the same period, the provisional estimate of the value of total purchases of restaurants decreased by approximately 28.4% to approximately HK\$25.8 billion.

Analysed by type of restaurant and comparing the whole year of 2020 with the whole year of 2019, total receipts of non-Chinese restaurants decreased by 25.6% in value and 25.2% in volume, as compared to the decrease of 38.2% in value and 38.8% in volume recorded by Chinese restaurants. Total receipts of fast food shops decreased by 19.1% in value and 20.5% in volume. Total receipts of bars decreased by 47.9% in value and 49.2% in volume. As for miscellaneous eating and drinking places, total receipts decreased by 19.5% in value and 21.0% in volume.

A Government spokesman said that the value of total restaurant receipts continued to decline sharply by 25.1% year-on-year in the fourth quarter of 2020, though the decline narrowed from the record fall registered in the preceding quarter. Business showed rather visible improvement in October and November 2020, but deteriorated again in December 2020 when the fourth wave of local epidemic led to a renewed tightening of social distancing measures. For 2020 as a whole, the value of total restaurant receipts plummeted by 29.4%, which was the largest annual decline on record.

The spokesman further pointed out that the business environment of restaurants will stay challenging in the near term, as the fourth wave of local epidemic continues to hit dining-out activities while inbound tourism remains at a standstill. Therefore, keeping the epidemic under control at the soonest possible with the concerted effort of the whole community is of pivotal importance to the recovery of such hard-hit sectors as the restaurants sector.

The outlook down the road depends critically on how the situation of the COVID-19 infection will evolve. The Group will continue to monitor the developments closely and will be cautious in running our business.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Hong Kong

During the year ended 31 December 2020, the Group has not opened any new restaurant in Hong Kong. On the other hand, we have surrendered the lease of a restaurant in Yoho Mall on 30 November 2020 before its expiry on May 2021 and closed down this restaurant during the year, as this restaurant's financial performance has long been below the Group's expectation due to insufficiency of customers flow in Yoho Mall especially during the weekdays. We considered that it may not be in the best interests of the Group and the Shareholders as a whole to accept the terms in the renewal of the tenancy (which will bear increased monthly rental and related costs) after taking into account the above and the uncertainties regarding the prospect of this restaurant and the likelihood of possible turnaround of its result in view of the social distancing measures which have been impacted during the year.

As at 31 December 2020, the Group had a total of twelve restaurants under five self-owned brands, namely, Ta-ke, An Nam, Modern Shanghai, 10 Shanghai and Hokkaidon and three franchised or sub-licensed brands, namely, Mango Tree, Gonpachi and Paper Moon in Hong Kong.

During the year ended 31 December 2020, due to the temporary closure of the entire Festival Walk for a period of approximately two months since 12 November 2019 to conduct the repairing and recovery works, the operation of our An Nam (Festival Walk) Restaurant was affected and the restaurant has suspended its operation temporarily until the re-opening of the mall on 16 January 2020.

During the year ended 31 December 2020, none of our restaurants had undergone significant renovation.

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

As at 31 December 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.

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, taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres and the fact that the Group has been more cautions in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts, lower capital expenditures and/or more favourable rental package or rental concessions. Besides, in view of the improvement in the performance of the invested restaurants during the past few months in the PRC, the Group will place more efforts and be proactive in identifying opportunities for the opening and management of new restaurants in the PRC with or without our minority stake investment in a cautious manner. However, the outlook down the road depends critically on how the situation of the COVID-19 infection will evolve. The Group will continue to monitor the developments closely and will be cautious in running and expanding our PRC related business.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

During the year ended 31 December 2020, 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 31 December 2020, the Group was operating twelve (2019: thirteen) restaurants, of which no (2019: one) restaurant was newly opened and one (2019: no) restaurant was closed down during the year.

The revenue was dropped as to the various social distancing measures were become effective throughout the year as a result of the progress of COVID-19 outbreak in Hong Kong and therefore the operating hours of our restaurants and the mode of the operations of our restaurants were affected accordingly. The results had already accounted for the increased number of restaurants fully in operation during the year as compared to 2019 and the effect was netted off by the drop in revenue of several restaurants due to the challenging external environment and the temporary closure of Festival Walk for a period of 0.5 months in January 2020 where one of the restaurants of the Group is located.

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

	For the year ended 31 December			
	2020		2019	
	Revenue HK\$'000	% of total revenue from operation of restaurant (%)	Revenue HK\$'000	% of total revenue from operation of restaurant (%)
Shanghainese	84,037	26.3	77,866	22.7
Japanese	81,621	25.6	86,485	25.2
Thai	61,091	19.2	73,853	21.5
Vietnamese	49,660	15.6	65,899	19.2
Italian	42,541	13.3	39,258	11.4
Total revenue from operation of restaurants in Hong Kong	318,950	100.0	343,361	100.0

### Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants increased by approximately HK\$6.1 million, or approximately 7.8%, from approximately HK\$77.9 million for the year ended 31 December 2019 to approximately HK\$84.0 million for the year ended 31 December 2020. The increase in revenue was partly contributed by the new Modern Shanghai (Olympian City) Restaurant (which was opened in late September 2019) which has a full year contribution in 2020 with such impact partially offset by the factors as mentioned above.

### Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants decreased by approximately HK\$4.9 million, or approximately 5.7%, from approximately HK\$86.5 million for the year ended 31 December 2019 to approximately HK\$81.6 million for the year ended 31 December 2020. Such decrease was due to the factors as mentioned above.

# Management Discussion and Analysis

## Thai-style restaurants

The revenue generated from operation of Thai-style restaurants decreased by approximately HK\$12.8 million, or approximately 17.3%, from approximately HK\$73.9 million for the year ended 31 December 2019 to approximately HK\$61.1 million for the year ended 31 December 2020. Such decrease was due to the factors as mentioned above. The most significant reduction in the number of customers is noted in our restaurant located in Element after the temporary closing of the High Speed Rail.

## Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK\$16.2 million, or approximately 24.6%, from approximately HK\$65.9 million for the year ended 31 December 2019 to approximately HK\$49.7 million for the year ended 31 December 2020. Such decrease was due to the closure of our Petit An Nam (Yoho Midtown) Restaurant in November 2020 and further deteriorated by the factors as mentioned above.

## Italian-style restaurant

The revenue generated from operation of Italian-style restaurant increased by approximately HK\$3.2 million, or approximately 8.1%, from approximately HK\$39.3 million for the year ended 31 December 2019 to approximately HK\$42.5 million for the year ended 31 December 2020. The increase in revenue was partly contributed by the new outside dining areas offered by the restaurant when the relevant licence was granted during the year, while the impact of which has been partially offset by the adverse impacts brought by COVID-19.

## Cost of inventories sold

The cost of inventories consumed mainly represents the cost of food ingredients and beverages for the operation of the Group's restaurants. The major food ingredients purchased by the Group include, but are not limited to, meat, seafood, frozen food, vegetables and beverages. Cost of inventories consumed is one of the major components of the Group's operating expenses which amounted to approximately HK\$88.1 million and HK\$91.7 million for each of the years ended 31 December 2019 and 2020, respectively, representing approximately 25.7% and 28.7% of the Group's total revenue generated from operation of restaurants for the corresponding year. In order to attract customers flow, we have launched a lot of promotions or discount offers and the cost of inventories sold as a percentage of revenue was increased accordingly.

## 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\$120.3 million for the year ended 31 December 2019 to approximately HK\$110.7 million for the year ended 31 December 2020, representing a decrease of approximately 8.0% in comparison. Such decrease was mainly due to the cost reduction measures applied.

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 the previous years. The Directors expect the staff costs will remain more stable as long as the downturn of the economy in Hong Kong continues.

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

# Management Discussion and Analysis

## Depreciation and amortisation

The Group recorded depreciation and amortisation of approximately HK\$79.6 million and HK\$81.8 million for the years ended 31 December 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 during 2019.

The depreciation charged on the right-of-use assets amounted to approximately HK\$56.9 million and HK\$58.1 million for the years ended 31 December 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.

The depreciation charged for the leasehold improvements amounted to approximately HK\$18.2 million and HK\$18.9 million, for the years ended 31 December 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 term. As a result, if the Group extended or renewed the lease term of the restaurants without incurring a renovation cost exceeding the original renovation costs of the relevant restaurants, the depreciation of leasehold improvements attributable to the relevant restaurant will be reduced.

As the Group intends to continue to open new restaurants and expand the restaurant network on a long term basis, the Directors expect the property rentals and related expenses as well as the depreciation charge on the right of use assets to increase generally in the future. Besides, the Directors will continue to look for better control in the property, rental and related expenses, such as entering into long-term rental agreements so as to maintain the rentals at a reasonable level.

## Impairment loss on property, plant and equipment

The Group recorded an impairment loss on property, plant and equipment of approximately HK\$19.4 million (2019: HK\$11.6 million) for the year ended 31 December 2020. The impairment loss on property, plant and equipment is based on the forecast which has taken into account, among other things, (i) the accumulated operating losses incurred by the respective restaurants; and (ii) the expected increase in operating losses within the existing lease term for these restaurants with very remote chance of turnaround into profit making position after taking into account the outbreak of COVID-19 during the year of 2020 and the first annual contraction of real gross domestic product of Hong Kong since 2009.

## Rental expenses

The rental expenses, which mainly represent turnover rent and government rates, for the year ended 31 December 2020 amounted to approximately HK\$7.8 million, representing an increase of approximately 5.4% as compared with that of the year ended 31 December 2019 which amounted to approximately HK\$7.4 million. The increase was mainly contributable by the increase in turnover rent payment resulted from the increased revenue of our Italian restaurant net off by drop in revenue of our certain restaurants.

# Management Discussion and Analysis

## Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the years ended 31 December 2019 and 2020, the total utility expenses amounted to approximately HK\$9.4 million and HK\$9.2 million, respectively. The decrease was due to the impact of social distancing measures which shortened the operating hours and reduced the dine-in services of the restaurants.

## Income tax expenses

The Group recorded an income tax credit of approximately HK\$1.6 million (2019: income tax expenses of approximately HK\$0.4 million). Such decrease mainly due to the drop in revenue and the loss incurred for the year.

## Loss for the year

The Group recorded a loss of approximately HK\$17.7 million for the year ended 31 December 2020 and for the corresponding year in 2019.

The loss has been significantly offset by the Government grants in the amount of approximately HK\$24.3 million received by the Group during the year.

The loss was mainly attributable to (a) the impairment loss on property, plant and equipment of our four restaurants, namely Ta-ke, Mango Tree Café (Yoho) Restaurant, Mango Tree (Kowloon) Restaurant and Modern Shanghai (Olympian City) Restaurant which amounted to approximately HK\$19.4 million (2019: HK\$11.6 million for two of our restaurants, Mango Tree Café (Yoho) Restaurant and Ta-ke) and (b) the decrease of revenue received of approximately HK\$25.2 million during the year as compared to 2019 primarily as the result of the continuous outbreak of the COVID-19 through 2020 and series of anti-epidemic measures implemented causing adverse impacts on the number of customers and their frequency of visit, which further impacting the operating result.

The Company will continue to closely monitor the performances of its restaurants, formulate adequate strategies and strike a balance between improving the financial performance of the restaurants and providing decent dining experiences at reasonable prices.

# Management Discussion and Analysis

## Use of net proceeds from the listing and the placing of shares

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

In line with the business plan as disclosed in the Prospectus, the Company intends to use:

- (i) approximately HK\$3.0 million for the settlement of part of the set up and opening costs of Paper Moon Restaurant under the sub-licensed Italian brand in Hong Kong;
- (ii) approximately HK\$8.2 million for the set up and opening of a restaurant under Modern Shanghai brand in Hong Kong;
- (iii) approximately HK\$11.3 million for the set up and opening of one restaurant under a refined Ta-ke brand in Hong Kong;
- (iv) approximately HK\$1.1 million for the set up and opening of one Hokkaidon restaurant in Hong Kong; and
- (v) approximately HK\$0.7 million for the development of restaurant pre-opening consultancy and management consultancy services in the PRC.

However, given we have settled most of the setting up and pre-opening costs of Paper Moon Restaurant, the Board has decided to re-designate the proceeds allocated in (i) above to (iv) above.

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



# Management Discussion and Analysis

The following sets forth the comparison between the intended uses of net proceeds from (i) the Share Offer based on the Group's plan as set out in the Prospectus and the actual usage since the Listing Date to 31 December 2020 and (ii) the Placing as mentioned above:

Objectives	Adjusted use of proceeds from the Listing Date to 1 January 2019	Actual use of proceeds from the Listing Date to 31 December 2019	Total remaining proceeds as at 31 December 2019 and 2020
<b>(i) The Share Offer</b>			
1. Continue to develop our brand portfolio and expand our restaurant network			
(a) Settlement of part of the set up and opening costs of Paper Moon Restaurant	HK\$0.7 million	HK\$0.7 million	–
(b) Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong	HK\$8.2 million	HK\$8.2 million	–
(c) Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong	HK\$11.3 million	HK\$11.3 million	–
(d) Open a restaurant under the Hokkaidon brand in Hong Kong	– (Note 1)	–	–
2. Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	HK\$0.7 million	HK\$0.7 million	–
3. Investment in a restaurant in the PRC by a minority stake	HK\$1.0 million	HK\$1.0 million	–
4. Restaurant operation (Note 1)	HK\$2.4 million	HK\$2.4 million	–
Total	HK\$24.3 million	HK\$24.3 million	–

	Adjusted use of proceeds from the Placing	Actual use of proceeds up to 31 December 2020	Remaining proceeds as at 31 December 2020
<b>(ii) The Placing</b>			
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	– (Note 2)	–	–
3. General working capital (Note 3)	HK\$2.6 million	HK\$2.6 million	–
4. Restaurants operations (Note 2)	HK\$3.0 million	HK\$3.0 million	–
Total	HK\$14.1 million	HK\$14.1 million	–

# Management Discussion and Analysis

## Notes:

- (1) The unutilised balance of HK\$3.4 million allocated from use of proceeds had been transferred to (i) partly in the amount of HK\$2.4 million for restaurant operation in order to meet the cash requirement impacted by the loss of revenue arising from the ad-hoc variation or shortening of opening hours of shopping malls of our restaurants locations during the last quarter of 2019 and (ii) partly in the amount of HK\$1.0 million for the investment in a restaurant by a minority stake as stated in the third quarterly report of the Company for the nine months ended 30 September 2019.
- (2) The net proceeds from the Placing which were originally planned for use to invest in restaurants by a minority stake in the Guangdong-Hong Kong-Macao Greater Bay Area 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 HK\$3.0 million.
- (3) The net proceeds from the Placing which were originally planned for use as the general working capital amounted to HK\$2.6 million have been fully utilised as the payment for the settlement of part of the renovation cost in respect of Mango Tree (Kowloon) Restaurant prior to the commencement of the new lease in September 2019.

All proceeds from the Share Offer and the Placing have been used up before 31 December 2020.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

1. During the year ended 31 December 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 or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.
2. Cost of inventories sold, staff cost and depreciation contributed a majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of our Group:
  - a. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.
  - b. Minimum wage requirements in Hong Kong which will be reviewed and adjusted periodically.
  - c. As at 31 December 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, the subsequent published annual reports and interim reports, the Group had also considered other expansion plans through opening of new restaurants in Hong Kong. Taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts, lower capital expenditures and/or more favourable rental package or rental concessions. However, none of such plans had been materialised as at the date of this report. The Company will comply with the relevant requirements under the GEM Listing Rules as and when appropriate. It is currently expected as, should any of these expansion plan materialise, it will be funded by internal resources and contribution from associates/joint venture partners, if any. Nevertheless, the Group will continue to be cautious in further expanding our business by exercising due care and examining adequate opportunities and planning for the opening and investing in new restaurants.

# Management Discussion and Analysis

## COMPARISON OF BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2020 is set out below:

	<b>Business plan as stated in the Prospectus</b>	<b>Actual business progress up to 31 December 2020</b>
1. Continue to develop our brand portfolio and expand our restaurant network	<p>Settlement of part of the set up and opening costs of Paper Moon Restaurant</p> <p>Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong</p> <p>Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong</p> <p>Set up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou</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>Settled certain costs for Paper Moon Restaurant</p> <p>10 Shanghai Restaurant has opened in January 2018</p> <p>Ta-ke Japanese Restaurant has opened in March 2018</p> <p>Guangzhou Ten Shanghai Food &amp; 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>Guangzhou Mango Tree Food &amp; 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 &amp; 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>

# Management Discussion and Analysis

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2020
1. Continue to develop our brand portfolio and expand our restaurant network (Continued)	Open a restaurant under the Hokkaidon brand and a restaurant under the Mango Tree brand in a shopping mall in Hong Kong	The Group is still in the process of identifying a desirable location to open the restaurant  The expansion plan in Hong Kong is temporarily suspended since the third quarter of 2019
	Open a restaurant under the Modern Shanghai brand in a shopping mall in Hong Kong	Modern Shanghai (Olympian City) Restaurant has opened in September 2019
	Set up a restaurant under the Mango Tree Café brand in a shopping mall in Shenzhen	The Group is still in the process of identifying a desirable location to open the restaurant
	Set up a restaurant under a refined Ta-ke brand in a shopping mall in Shenzhen	The Group is still in the process of identifying a desirable location to open the restaurant
2. Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	Identify new sources of the PRC clients	Negotiating for the new pre-opening consultancy contract in the PRC
3. Enhance our brand recognition by continuing to bring high quality ingredients and new dishes to our customers	Marketing activities including media tasting, special menu promotion and joint promotions with different organisations	The Group has held various activities including distribution of souvenirs with Company's logo to frequent customers and business partners; media tasting events at new restaurant opening; and launch of different seasonal menus for different festivals

The Group will continue to adhere to these objectives by (i) increasing sales volume; (ii) optimising restaurant-level staffing; and (iii) maximising the utilisation of food ingredients.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

### Capital structure

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

### Cash position

As at 31 December 2020, the cash and cash equivalents of the Group amounted to approximately HK\$64.7 million (2019: approximately HK\$39.7 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 63.0% as compared to that as at 31 December 2019. The increase was mainly due to the release of pledged deposits from bank borrowings and receipt of Government grants and the fact that the net operating cash inflow generated by the Group during the year could fully cover the net cash used in financing activities, which principally represented the repayment of borrowings and payment of lease liabilities.

### Borrowings

As at 31 December 2020, the total bank borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$11.4 million (2019: approximately HK\$20.6 million) that bear floating interest rates from 2.8% to 4.6% per annum (2019: 3.0% to 5.2%). No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the bank borrowings are set out in note 23 to the consolidated financial statements.

As at 31 December 2020, the total loans from non-controlling shareholders were for a) supporting a loss-making restaurant to conduct normal operation and b) financing the set-up of a new restaurant in 2019, which were denominated in Hong Kong dollar, amounted to approximately HK\$7.6 million (2019: HK\$7.6 million) that were interest-free and repayable when the respective restaurants have achieved net profit/net cash flow.

Save as disclosed, the Group did not have other borrowings for the years ended 31 December 2019 and 2020.

### Pledge

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

### Gearing ratio

As at 31 December 2020, the gearing ratio of the Group was approximately 33.8% (2019: approximately 37.8%). The resulted decrease was mainly attributable to the effect of the repayment of bank borrowings during the year. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, loans from non-controlling shareholders, divided by the total equity of the Company at the end of the respective period.

## COMMITMENTS

The Group was committed to making future minimum lease payments in respect of staff quarters under non-cancellable operating lease. The Group's operating lease commitments not yet commenced as at 31 December 2020 were HK\$15,000 (2019: HK\$116,000).

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any material acquisition or disposal of subsidiaries and associates during the year ended 31 December 2020.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities.

## CAPITAL COMMITMENTS

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

## DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

## FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in Hong Kong Dollars ("**HK\$**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The transactions and monetary assets denominated in Renminbi ("**RMB**") are minimal for the years ended 31 December 2019 and 2020, the Group considers there have no significant foreign exchange risks in respect of RMB for both years.

## TREASURY POLICIES AND RISK MANAGEMENT

As at 31 December 2020, the Group's credit risk is primarily attributable to trade receivables, fixed deposits and cash and cash equivalents.

The Group deposits its fixed deposits and cash and cash equivalents with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. Management monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk is minimal.

As at 31 December 2020, the Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. For trade receivables, the customers are primarily credit card receivables and management considers the credit risk is not high. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the total number of full time and part time employees of the Group was 355 (2019: 407). Total staff costs (including Directors' emoluments) were approximately HK\$110.7 million for the year ended 31 December 2020 (2019: HK\$120.3 million).

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

# Management Discussion and Analysis

## SHARE OPTION SCHEME

The Company had adopted a share option scheme on 6 November 2017. As at the date of this annual report, no share option has been granted.

## LITIGATIONS

As at 31 December 2020, the Group is not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of the Group.

## PROSPECT

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

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

Due to the slow down of economic growth in Hong Kong since 2019 and the outbreak of COVID-19 in the PRC and Hong Kong in 2020, all the planned investment projects were temporarily suspended in 2020. While, taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts, lower capital expenditures and/or more favourable rental package or rental concessions. On the other hand, in view of the improvement in the performance especially during the past few months in the PRC, the Group will place more effects 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.

Meanwhile, in view of the above uncertainties, the industry may face further challenges while we will continue to review the operation and evaluate the performance of our existing and minority stake invested restaurants, and formulate adequate strategies for each restaurant and our development plan with a more proactive but 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 endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Shareholders.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Kwok Chi Po (郭志波)**, aged 57, is one of our founders, a controlling shareholder and an executive Director of our Group. Mr. Kwok also serves as our chief executive officer. Mr. Kwok is primarily responsible for overseeing the general management and operations of our Group, as well as formulating corporate strategies and overseeing business development. Mr. Kwok is a member of our remuneration committee. Mr. Kwok is also a director of each other members of our Group.

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

**Mr. Kwan Wing Kuen Tino (關永權)**, aged 70, is one of our founders, a controlling shareholder, an executive Director and the vice chairman of our Group. Mr. Kwan is primarily responsible for corporate strategies, business development and oversees the general management and operations of our Group. Mr. Kwan is also a director of our seven subsidiaries, namely 1957 & Co. (BVI) Hospitality Limited; 1957 & Co (Hospitality) HK Limited; 1957 & Co. (Management) Limited; Bella Vita Limited; Sushi Ta-ke Limited; Mango Tree (HK) Limited and Mango Tree (Kowloon) Limited.

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

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

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

**Mr. Lau Ming Fai (劉明輝)**, aged 48, is our executive Director and chief operating officer. Mr. Lau joined our Group in April 2014 as chief operating officer and has been in charge of overseeing the Group's operations, including recruitment, business development and formulating operating strategies and policies since then. Mr. Lau is a director of three of our subsidiaries, Hokkaidon Restaurant Limited, L Garden and Partners Limited and 1957 and Partners Limited.

Mr. Lau has over 16 years of experience in the hospitality, catering, food and beverage industries.

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



# Directors and Senior Management

## NON-EXECUTIVE DIRECTORS

**Mr. Leung Chi Tien Steve (梁志天)**, aged 63, is one of our founders, a controlling shareholder, a non-executive Director, the chairman of our Board and the chairman of our nomination committee of our Group. Mr. Leung is primarily responsible for supervising corporate management, operation and development of our Group. Mr. Leung is also a director of nine of our subsidiaries, namely 1957 & Co. (BVI) Hospitality Limited, 1957 & Co. (Hospitality) HK Limited, 1957 & Co. (Management) Limited, Bella Vita Limited, Sushi Ta-ke Limited, Mango Tree (HK) Limited, Mango Tree (Kowloon) Limited, Modern Shanghai (Hong Kong) Food & Beverage Limited and Modern Shanghai (YOHO Midtown) Restaurant Limited. Mr. Leung is the spouse of Ms. Chan Siu Wan, a non-executive Director.

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

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

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

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

**Ms. Chan Siu Wan (陳小雲)**, aged 64, graduated from the University of Hong Kong with a degree of Bachelor of Arts (Architectural Studies). Thereafter she obtained a degree of Bachelor of Architecture from the University of Hong Kong. With the enactment of the Architects Registration Ordinance 1990 (Cap 408, Laws of Hong Kong) (the "**Ordinance**"), she registered as an architect in Hong Kong under the provisions of the Ordinance in January 1991.

Ms. Chan has 27 years of solid experience as an architect. She joined the Architectural Services Department of the Government of Hong Kong in 1983 until 1991. She subsequently joined the Buildings Ordinance Office (which is the current Buildings Department) of the Government of Hong Kong as a building surveyor in 1993 and retired in 2012. Ms. Chan is the spouse of Mr. Leung Chi Tien Steve. Ms. Chan is primarily responsible for supervising corporate management, operation and development of our Group.

# Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. How Sze Ming (侯思明)**, aged 44, is an independent non-executive Director. He is also the chairman of our audit committee and a member of our remuneration committee.

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

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

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Ruicheng (China) Media Group Limited	Main Board	1640	Since October 2019	Independent non-executive director
Watts International Maritime Engineering Limited	Main Board	2258	Since October 2018	Independent non-executive director
World-Link Logistics (Asia) Holding Limited	Main Board	6083	Since December 2015	Independent non-executive director
Forgame Holdings Limited	Main Board	484	From January 2016 to 30 April 2020	Independent non-executive director
Shanghai Zendai Property Limited	Main Board	755	From May 2017 to January 2020	Independent non-executive director

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

# Directors and Senior Management

**Mr. Ng Wai Hung (吳偉雄)**, aged 57, is an independent non-executive Director. He is also a member of each of our audit committee and nomination committee.

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

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

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited and KH Investment Holdings Limited)	GEM	8172	Since March 2015	Independent non-executive director
Xinyi Automobile Glass Hong Kong Enterprises Limited	GEM	8328	Since June 2016	Independent non-executive director
Coolpad Group Limited	Main Board	2369	Since January 2018	Non-executive director
Winshine Science Company Limited	Main Board	209	Since May 2019	Independent non-executive director

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

**Mr. Chan Kam Kwan Jason (陳錦坤)**, aged 47, is an independent non-executive Director. Mr. Chan is the chairman of our remuneration committee and also a member of each of our audit committee and nomination committee.

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

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

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

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

# Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Fong Chi Wing (方志榮)**, aged 53, was appointed as our chief financial officer on 11 April 2016 and was appointed as our company secretary on 16 February 2017. He is primarily responsible for overseeing the financial management of our Group.

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

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

**Ms. Chan Hang Ming Florence (陳杏明)**, aged 45, joined our Group on 1 September 2012 as a marketing manager and was promoted to director of marketing and communications on 1 February 2016. She is primarily responsible for overseeing marketing, communications and public relations of all brands of our Group.

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

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

## COMPANY SECRETARY

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

## COMPLIANCE OFFICER

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

# Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The Company principally operates full-service restaurants under our self-owned brands and franchised/sublicensed brands in Hong Kong. We also provide restaurant pre-opening and management consultancy services in Hong Kong and the PRC. Analysis of the principal activities of the Group during the year ended 31 December 2020 is set out in the note 1 to the consolidated financial statements.

## BUSINESS REVIEW

Details of business review are set out in the section of “Management Discussion and Analysis” on page 9. An analysis using financial key performance indicators can be found in the “Management Discussion and Analysis” on pages 10 to 21 of this annual report.

## SEGMENT INFORMATION

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

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

## RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 61 to 62 of this annual report.

## FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## FINANCIAL SUMMARY

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

# Report of Directors

## MAJOR CUSTOMERS AND SUPPLIERS

### Major customers

Due to the nature of our business, the majority of our customers consist of retail customers from the general public. As such, our Directors consider that it is not practicable to identify the five largest customers of our Group for the year ended 31 December 2020 and we did not rely on any single customer during the year. For instance, none of our customers accounted for 5% or more of our revenue for the year ended 31 December 2020.

### Major Suppliers

For the year ended 31 December 2020, the Group's five largest suppliers accounted for 31.3% (2019: 25.9%) of the Group's total purchases and our single largest supplier accounted for 12.9% (2019: 7.2%) of the Group's total purchases.

During the year ended 31 December 2020, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers as identified above.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2020 are set out in note 13(a) to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 20 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out on page 66 in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution amounted to approximately HK\$55.5 million (2019: HK\$68.4 million) as calculated base on the Company's share premium less accumulated losses.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in notes 23 and 28(b) to the consolidated financial statements.

## DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report are:

### Executive Directors

Mr. Kwok Chi Po (*Chief Executive Officer*)  
Mr. Kwan Wing Kuen Tino (*Vice Chairman*)  
Mr. Lau Ming Fai (*Chief Operating Officer*)  
Mr. Leung Nicholas Nic-hang (resigned on 30 November 2020)

### Non-executive Directors

Mr. Leung Chi Tien Steve (*Chairman*)  
Ms. Chan Siu Wan (appointed on 30 November 2020)

### Independent Non-executive Directors

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

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

In accordance with article 83 (3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholder after his appointment and be subject to re-election at such meeting.

Accordingly, Mr. Kwok Chi Po, Mr. Lau Ming Fai, Mr. Leung Chi Tien Steve and Ms. Chan Siu Wan shall hold office until the forthcoming annual general meeting to be held on 28 May 2021 (the “**AGM**”). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 26 March 2021.

## DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 22 to 26 of this annual report.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

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

# Report of Directors

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

One of the non-executive Directors and each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement. During the year, each of the independent non-executive Directors has signed a renewal appointment letter with the Company for a term of three years, which may be renewable subject to both parties' agreement. During the year, one non-executive Director was appointed on 30 November 2020 and signed a letter of appointment with the Company for a term of three years commencing from the appointment date, which may be renewable subject to both parties' agreement.

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

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

## MANAGEMENT CONTRACTS

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

## EMPLOYEES AND REMUNERATION POLICY

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

Details of the emoluments of the Director, and five highest paid individuals of the Group during the year ended 31 December 2020 are set out in notes 10 and 29 to the consolidated financial statements.

As at 31 December 2020, the Group had 339 full time and 16 part-time employees. The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. The Company also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. In order to retain quality employees, the Group offers competitive remuneration and incentive schemes. We have also operated a staff bonus scheme and contributed to such scheme since December 2014. The Company regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.



## RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

The retirement benefit scheme cost charged to the consolidated statement of profit or loss and other comprehensive represents contributions payable by the Group to the funds and is expensed as incurred. During the year, the retirement benefit scheme contributions borne by the Group amounted to HK\$4,514,000 (2019: HK\$4,950,000). No forfeited contribution for the Group is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

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

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

As at 31 December 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 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 (“ <b>Mr. Kwan</b> ”)	Interest in controlled corporation/beneficial owner (Note 1)	64,092,000	Long	16.69%
Kwok Chi Po (“ <b>Mr. Kwok</b> ”)	Interest in controlled corporation/beneficial owner (Note 2)	16,406,400	Long	4.27%
Leung Chi Tien Steve (“ <b>Mr. Leung</b> ”)	Interest in controlled corporation (Note 3)	96,408,800	Long	25.11%
Chan Siu Wan (“ <b>Ms. Chan</b> ”)	Interest of spouse (Note 4)	96,408,800	Long	25.11%

Notes:

- (1) Among the 64,092,000 shares, 60,000,000 shares were held by Perfect Emperor Limited which is wholly owned by Mr. Kwan. As such, Mr. Kwan was deemed to be interested in all the shares held by Perfect Emperor Limited pursuant to Part XV of the SFO. The remaining 4,092,000 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.

# Report of Directors

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

Save as disclosed above, as at 31 December 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 by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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 of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Kwan Wai Ling Alicia	Interest of spouse (Note 1)	64,092,000	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%
Leung Shuk Yee Winnie (“ <b>Ms. Leung</b> ”)	Interest in controlled corporation (Notes 3 & 4)	19,764,000	Long	5.15%
Pearl Global Development Limited	Beneficial owner (Note 3)	19,764,000	Long	5.15%

# Report of Directors

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Perfect Emperor Limited	Beneficial owner	60,000,000	Long	15.63%
Poon Hok Ming ("Mr. Poon")	Interest of spouse (Note 4)	19,764,000	Long	5.15%

Notes:

- (1) Ms. Kwan Wai Ling Alicia is the spouse of Mr. Kwan and was deemed to be interested in the same number of shares held by Mr. Kwan.
- (2) 1957 & Co. Limited holds 100% of the equity interest in Sino Explorer and All Victory. Accordingly, 1957 & Co. Limited was deemed to be interested in 73,728,800 shares held by Sino Explorer and 22,680,000 shares held by All Victory.
- (3) Ms. Leung holds 99.99% of the equity interest in Pearl Global Development Limited. Therefore, she was deemed to be interested in 19,764,000 shares held by Pearl Global Development Limited.
- (4) Mr. Poon is the husband of Ms. Leung and was deemed to be interested in the same number of shares held by Ms. Leung.

Save as disclosed above, as at 31 December 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 or the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## SHARE OPTION SCHEME

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

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

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

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

As at 31 December 2020, the total number of shares of the Company in respect of which share options may be granted under the Share Option Scheme shall not exceed 32,000,000 ordinary shares, being 10% of the total number of ordinary shares of the Company in issue as at the Listing Date after the Placing. The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.

# Report of Directors

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

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

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

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

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

Up to 31 December 2020, no share option has been granted under the Share Option Scheme.

## EQUITY-LINKED AGREEMENTS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF

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

## NON-COMPETITION UNDERTAKING

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

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

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

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

# Report of Directors

## CONNECTED TRANSACTION

### Connected relationship

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

### Connected transaction and connected lease and licence agreement

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

### Summary of terms for the Connected Lease and Licence Agreement

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

### Reasons for and benefits of the Connected Lease and Licence Agreement

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

## NON-FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2020, the Company has also entered into certain continuing connected transactions with connected persons (as defined under the GEM Listing Rules) which were not fully-exempted from reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 20 of the GEM Listing Rules (the "**Non-fully Exempted Continuing Connected Transactions**"). Details of which are set out below. The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

### Leases and licence of premises from substantial shareholder of our subsidiaries

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

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

### Leasing of properties — operating lease rental/licence fee paid

Name of counterparty (Note 1)	Date of agreement	Leased premises	Terms	Amount for the year (HK\$'000)	Annual Cap (HK\$'000) (Note 2)
(1) Perfect Win Properties Limited	30 April 2019	4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	From 1 June 2019 to 31 May 2022	470	600
(2) Barrowgate Limited	17 August 2017	Shop No. G01, G/F Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2017 to 30 September 2022	6,021	7,900
(3) Barrowgate Limited	17 August 2017	Shop No. 101, 1/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2017 to 30 September 2022	5,579	7,000
Total				12,070	15,500

# Report of Directors

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

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

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

Pursuant to Rule 20.54 of the GEM Listing Rules, the Directors engaged the auditor of the Company to perform certain work on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors and confirmed that, for the year ended 31 December 2020:

- a. nothing has come to their attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to their attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of each of the continuing connected transactions set out the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

The related party transactions as disclosed in note 28 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company as defined in Chapter 20 of the GEM Listing Rules and are in compliance with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

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

## DONATIONS

During the year, the charitable and other donations made by the Group amounted to approximately HK\$5,000.

## SIGNIFICANT LEGAL PROCEEDINGS

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



## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to providing an environmental friendly culture and atmosphere within the Group. The Group has undertaken environmental protection measures such as (i) reduction of use of papers; (ii) minimisation of electricity consumption outside business hours; and (iii) recycling of waste cooking oil. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 December 2020. A separate environmental, social and governance report is expected to be published on the websites of the Stock Exchange and the Company no later than three months after the publication of this annual report.

## RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

## PERMITTED INDEMNITY PROVISION

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

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2020.

## CORPORATE GOVERNANCE

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

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

# Report of Directors

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITOR

PricewaterhouseCoopers was appointed as the Auditor for the year ended 31 December 2020. The accompanying financial statements prepared in accordance with HKFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Auditor for the year ending 31 December 2021 will be proposed at the AGM.

## PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.1957.com.hk](http://www.1957.com.hk).

## CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 25 May 2021 to 28 May 2021, both days inclusive, during which period no transfer of the shares will be registered. To be eligible to attend the AGM, Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 May 2021.

On behalf of the Board

**Kwok Chi Po**

*Executive Director*

Hong Kong, 18 March 2021

# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2020.

## CORPORATE GOVERNANCE PRACTICES

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

## THE BOARD

### Responsibilities

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

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

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

### Board Composition

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

#### Executive Directors:

Mr. Kwok Chi Po (*Chief Executive Officer*)  
Mr. Kwan Wing Kuen Tino (*Vice Chairman*)  
Mr. Lau Ming Fai (*Chief Operating Officer*)  
Mr. Leung Nicholas Nic-hang (resigned on 30 November 2020)

#### Non-executive Directors:

Mr. Leung Chi Tien Steve (*Chairman*)  
Ms. Chan Siu Wan (appointed on 30 November 2020)

#### Independent Non-executive Directors:

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

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

# Corporate Governance Report

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

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

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

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

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

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

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

## Induction and Continuous Professional Development

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

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

# Corporate Governance Report

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2020 is as follows:

Name of Directors	Nature of Continuous Professional Development (Notes)
<b>Executive Directors</b>	
Mr. Kwok Chi Po	A & B
Mr. Kwan Wing Kuen Tino	A & B
Mr. Lau Ming Fai	A & B
Mr. Leung Nicholas Nic-hang (resigned on 30 November 2020)	A & B
<b>Non-executive Directors</b>	
Mr. Leung Chi Tien Steve	A & B
Ms. Chan Siu Wan (appointed on 30 November 2020)	A & B & C
<b>Independent Non-executive Directors</b>	
Mr. How Sze Ming	A & B
Mr. Ng Wai Hung	A & B
Mr. Chan Kam Kwan Jason	A & B

Notes:

- A: Attending seminars and/or meetings and/or forums and/or briefings
- B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances
- C: Attending training relevant to the Company's business conducted by lawyers for new appointed director

## Chairman and Chief Executive Officer

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

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

# Corporate Governance Report

## Appointment, Resignation and Re-election of Directors

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

One of the non-executive Directors and each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement. The newly appointed non-executive Director has signed an appointment letter with the Company for a term of three years commencing from the appointment date during the year. All of the three independent non-executive Directors have signed the renewal appointment letters during the year. An executive Director has tendered his resignation during the year.

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

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

During the year, Mr. Kwan Wing Kuen Tino, Mr. Ng Wai Hung and Mr. Chan Kwan Kwan Jason had retired and been re-elected at the annual general meeting of the Company held on 29 May 2020.

Mr. Kwok Chi Po, Mr. Lau Ming Fai and Mr. Leung Chi Tien Steve will hold office until the forthcoming AGM and retire from office by rotation and Ms. Chan Siu Wan will hold office since the first appointment date until the forthcoming AGM and will be eligible for re-election and re-appointment.

## Board Meetings

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

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

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

# Corporate Governance Report

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

Directors	Board meeting(s)	Attended/Eligible to attend the Annual General Meeting
<b>Executive Directors</b>		
Mr. Kwok Chi Po	5/5	1/1
Mr. Kwan Wing Kuen Tino	5/5	1/1
Mr. Lau Ming Fai	5/5	1/1
Mr. Leung Nicholas Nic-hang (resigned on 30 November 2020)	5/5	1/1
<b>Non-executive Directors</b>		
Mr. Leung Chi Tien Steve	5/5	1/1
Ms. Chan Siu Wan (appointed on 30 November 2020)	n/a (note 1)	n/a (note 1)
<b>Independent Non-executive Directors</b>		
Mr. How Sze Ming	5/5	1/1
Mr. Ng Wai Hung	5/5	1/1
Mr. Chan Kam Kwan Jason	5/5	1/1

Note:

(1) There was no meeting held after the appointment of the relevant Director until the year end date.

## Required Standard of Dealings for Securities Transactions

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

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

## Delegation by the Board

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

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

# Corporate Governance Report

## Corporate Governance Function

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

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

## BOARD COMMITTEES

### Audit Committee

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

The principal duties of the Audit Committee include the following:

1. To review the relationship with the Auditor by reference to the work performed by the Auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditor;
2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the Auditor before submission to the Board;
3. To review the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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



# Corporate Governance Report

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

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

- reviewed the two quarterly and one interim results and reports of the Group for the respective quarterly and interim periods during the year prepared by the finance and management team relating to accounting issues and major findings;
- reviewed the annual results of the Group for the year ended 31 December 2019 as well as the audit report prepared by the Auditor relating to accounting issues and major findings in course of audit; and
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

## Nomination Committee

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

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the executive Directors.

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

# Corporate Governance Report

During the year, two nomination committee meetings were held and the attendance of each Director at those meetings is set out in the table below:

Directors	Attended/Eligible to attend the committee meetings
<b>Non-executive Director:</b>	
Mr. Leung Chi Tien Steve ( <i>Chairman</i> )	2/2
<b>Independent Non-executive Directors:</b>	
Mr. Ng Wai Hung	2/2
Mr. Chan Kam Kwan Jason	2/2

## Board Diversity Policy

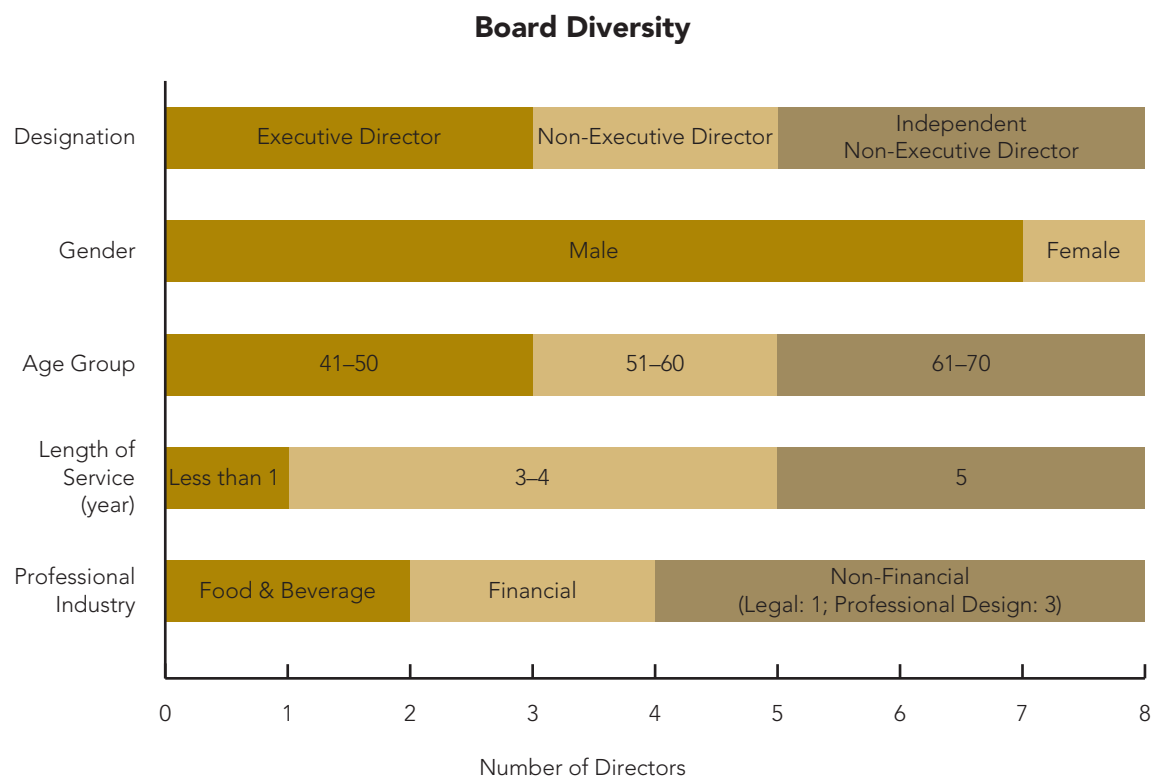
On 7 November 2017, the Board adopted a board diversity policy, a summary of which is set out below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate;
3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board; and
4. The Nomination Committee shall review the board diversity policy and make recommendations to the Board on amendments to the board diversity policy (if any) as appropriate.

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

# Corporate Governance Report

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



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

1. The size, structure and composition of the Board and its list;
2. The re-election of members of the Board retiring at the 2020 annual general meeting of the Company; and
3. An annual assessment of the independence of each independent non-executive Director.

## Remuneration Committee

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

# Corporate Governance Report

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's overall policy and structure for the remuneration of the Directors and senior management and establish a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the Board's goals and objectives;
3. as the Board shall direct, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities and employment conditions elsewhere in the Group;
6. to review and approve compensation payable to Directors (executive, non-executive or independent non-executive), executive officers and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and in line with market practice;
7. to review and approve compensation arrangements relating to dismissal or removal of Directors (executive, non-executive or independent non-executive) for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
8. to ensure that no Director or any of his associates (as defined in the GEM Listing Rules) is involved in deciding his own remuneration.

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

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

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

# Corporate Governance Report

## Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 22 to 26 of this annual report, for the year ended 31 December 2020 are set out below:

Remuneration band(s)	Number of individuals
Nil to HK\$1,000,000	8
HK\$1,000,001 to HK\$2,000,000	2
HK\$2,000,001 to HK\$3,000,000	1

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

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

## INTERNAL CONTROL AND RISK MANAGEMENT

### Responsibility

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

### Risk Management and Internal Controls Framework

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

- i. Review the key business risks, and control measures to mitigate, reduce or transfer such risks;
- ii. Review the business process and operations reported by Internal Audit and external consultants, including action plans to address any identified control weaknesses, as well as status updates and monitoring the implementation of audit recommendations.

# Corporate Governance Report

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

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

## Risk Management

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

1. Identify risks;
2. Analyse risks;
3. Evaluate risks; and
4. Treat risks.

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

## Internal Controls

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

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

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

# Corporate Governance Report

## Review of Risk Management and Internal Control Systems

In respect of the year ended 31 December 2020, the Board considers the risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. A review on the risk management and internal control systems is conducted on an annual basis.

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

## Disclosure of Inside Information

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

## EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 December 2020 is set out in the section headed "Independent Auditor's Report" in this annual report.

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

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2020 was approximately as follows:

Types of service	Amount (HK\$'000)
Audit services	930
Non-audit services	656
<b>Total</b>	<b>1,586</b>

# Corporate Governance Report

## COMPANY SECRETARY

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

During the year ended 31 December 2020, Mr. Fong has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

## DIVIDEND POLICY

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



# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

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

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

### Convening of extraordinary general meeting and putting forward proposals

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

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

## ENQUIRIES TO THE BOARD

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

## CHANGE IN CONSTITUTIONAL DOCUMENTS

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

## CONCLUSION

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

# Independent Auditor's Report



羅兵咸永道

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

## OPINION

### What we have audited

The consolidated financial statements of 1957 & Co. (Hospitality) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 126, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

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

### Independence

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

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# Independent Auditor's Report

## KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Assessment of impairment of property, plant and equipment</i></b></p> <p>Refer to notes 4(i) and 13(a) to the consolidated financial statements.</p> <p>The Group has a portfolio of leased properties used as outlets for its restaurants. Majority of the outlets are with lease terms ranging from two to six years. Management periodically assesses whether there is any indication that the property, plant and equipment (the "PPE") may be impaired and estimates the recoverable amount of the PPE if any such indication exists.</p> <p>Management considers each individual restaurant as a cash generating unit (CGU) and reviews the performance of individual restaurants at the end of each reporting period to identify if any restaurant meets certain negative performance criteria which could indicate impairment. Such impairment indicators include:</p> <ul style="list-style-type: none"><li>• Operating losses incurred by restaurants during the financial year except for new restaurant in its first year of operation;</li><li>• Plans to close a restaurant;</li></ul>	<p>Our procedures for assessing the impairment of property, plant and equipment included:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of the management's internal control and assessment process of impairment of PPE and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risks factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;</li><li>• Evaluating and testing the key controls over the assessment on the impairment of PPE;</li><li>• Discussing with management the approach used to identify indications of impairment for the Group's CGUs;</li><li>• Evaluating management's identification of impairment indicators by considering the appropriateness of the negative performance criteria defined and checking if all the restaurants with negative performance criteria were properly identified.</li></ul> <p>For CGUs where there were indicators of impairment, we performed procedure on value in use calculations to assess the key inputs to their respective discounted cash flows forecast (the "DCF") used in determining the recoverable amount of the PPE, including:</p> <ul style="list-style-type: none"><li>• Comparing the actual results of the CGU with the CGU's historical DCF to assess the accuracy of management's forecasting process;</li></ul>

# Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<ul style="list-style-type: none"> <li>• Economic performance is worse than expected; or</li> <li>• Other external factors.</li> </ul> <p>For a CGU where there is any indication of impairment, management estimates the recoverable amount of the PPE using higher of fair value less costs of disposal and value in use method and determines if provision is required by comparing the carrying amount of the PPE with its recoverable amount.</p> <p>The recoverable amounts of the assets of each of CGU was determined by value in use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining lease term of each of CGU, which were higher than the respective fair value less costs of disposal of each of CGU.</p> <p>We focused on this area because the balance of PPE is material to the consolidated financial statements and significant management judgement was used in assessing the impairment of PPE.</p>	<ul style="list-style-type: none"> <li>• Assessing reasonableness of the projected revenue growth rate and operating margin of the relevant restaurant used in the DCF with reference to management's development plans and past results of operations of the CGU;</li> <li>• Assessing the discount rate used in the DCF by comparing to relevant external source of market data;</li> <li>• Testing mathematical accuracy of the DCF; and</li> <li>• Assessing the adequacy of the disclosures related to the impairment assessment of PPE in the context of the applicable financial reporting framework.</li> </ul> <p>We have further evaluated management's assessment on fair value less costs of disposals based on relevant valuation technique and make reference to recent market comparatives.</p> <p>Based on the results of our work, we found that the significant judgements and assumptions used by management in the assessment were supportable by available evidence.</p>

## OTHER INFORMATION

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 18 March 2021

# Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	6	320,452	345,736
Other gains and income, net	7	25,161	1,946
Cost of inventories sold		(91,709)	(88,119)
Employee benefit expenses	10	(110,664)	(120,254)
Depreciation and amortisation		(81,761)	(79,622)
Royalty fees		(4,571)	(4,715)
Rental expenses	13(b)	(7,791)	(7,415)
Utilities		(9,188)	(9,376)
Impairment loss of property, plant and equipment	13(a)	(19,400)	(11,600)
Other operating expenses	9	(33,813)	(38,130)
<b>Operating loss</b>		<b>(13,284)</b>	(11,549)
Finance income		25	77
Finance costs		(4,964)	(5,616)
Finance costs, net	8	(4,939)	(5,539)
Share of losses of associates	16	(1,057)	(251)
<b>Loss before income tax</b>		<b>(19,280)</b>	(17,339)
Income tax credit/(expense)	11	1,570	(403)
Loss for the year		(17,710)	(17,742)
<b>Loss for the year attributable to:</b>			
— Owners of the company		(12,909)	(14,189)
— Non-controlling interests		(4,801)	(3,553)
		(17,710)	(17,742)
<b>Losses per share attributable to owners of the company for the year (HK cents)</b>			
— Basic and diluted	12	(3.36)	(3.97)

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
<b>Loss for the year</b>	<b>(17,710)</b>	(17,742)
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss</i>		
— Currency translation differences	<b>241</b>	(189)
— Share of other comprehensive income of associates accounted for using equity method	<b>184</b>	–
<b>Total comprehensive loss for the year</b>	<b>(17,285)</b>	(17,931)
<b>Total comprehensive loss for the year attributable to:</b>		
— Owners of the company	<b>(12,482)</b>	(14,375)
— Non-controlling interests	<b>(4,803)</b>	(3,556)
	<b>(17,285)</b>	(17,931)

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



# Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13(a)	117,522	202,735
Intangible assets	14	1,200	1,416
Interest in associates	16	2,935	3,808
Deferred tax assets	24	12,201	9,788
		<b>133,858</b>	217,747
<b>Current assets</b>			
Inventories	18	2,354	2,090
Trade receivables	17	4,812	3,736
Prepayments, deposits and other receivables	17	7,258	5,166
Amounts due from related parties	28(b)	78	54
Tax recoverable		1,522	2,122
Pledged bank deposits	19	7,035	13,082
Cash and cash equivalents	19	64,712	39,716
		<b>87,771</b>	65,966
<b>Total assets</b>		<b>221,629</b>	283,713
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	20	38	38
Share premium	20	100,980	100,980
Capital reserve		(2,983)	(2,983)
Exchange reserve		(186)	(613)
Accumulated losses		(45,525)	(32,616)
		<b>52,324</b>	64,806
Non-controlling interest	15(a)	4,050	9,833
<b>Total equity</b>		<b>56,374</b>	74,639

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

# Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	13(b)	50,722	87,574
Deferred income tax liabilities	24	–	36
		<b>50,722</b>	87,610
<b>Current liabilities</b>			
Trade payables	21	16,770	13,920
Accruals and other payables	21	19,504	17,720
Lease liabilities	13(b)	57,965	59,548
Contract liabilities	22	800	1,519
Income tax payable		448	576
Loan from non-controlling shareholders	28(b)	7,600	7,600
Bank borrowings	23	11,446	20,581
		<b>114,533</b>	121,464
<b>Total liabilities</b>		<b>165,255</b>	209,074
<b>Total equity and liabilities</b>		<b>221,629</b>	283,713

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

The financial statements on pages 61 to 126 were approved by the Board of Directors on 18 March 2021 and were signed on its behalf.

**Kwok Chi Po**  
Director

**Leung Chi Tien Steve**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

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

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to the owners of the Company							
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interest	Total equity
	(Note 20)	(Note 20)						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2020</b>	38	100,980	(2,983)	(613)	(32,616)	64,806	9,833	74,639
<b>Comprehensive loss</b>								
Loss for the year	-	-	-	-	(12,909)	(12,909)	(4,801)	(17,710)
<b>Other comprehensive income/(loss)</b>								
Currency translation differences	-	-	-	241	-	241	-	241
Share of other comprehensive income of associates accounted for using the equity method	-	-	-	186	-	186	(2)	184
<b>Total comprehensive income/(loss)</b>	-	-	-	427	(12,909)	(12,482)	(4,803)	(17,285)
<b>Transactions with owners</b>								
Repayment of shareholders loan	-	-	-	-	-	-	(980)	(980)
<b>Total transactions with owners</b>	-	-	-	-	-	-	(980)	(980)
<b>Balance at 31 December 2020</b>	38	100,980	(2,983)	(186)	(45,525)	52,324	4,050	56,374

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(19,280)	(17,339)
Adjustments for:		
— Depreciation and amortisation	81,761	79,622
— Gain on disposal of property, plant and equipment	(92)	–
— Impairment loss on property, plant and equipment	19,400	11,600
— Share of losses of associates	1,057	251
— Finance income	(25)	(77)
— Finance costs	4,964	5,616
<b>Operating cash flows before changes in working capital</b>	<b>87,785</b>	79,673
Changes in working capital:		
— Inventories	(264)	204
— Trade and other receivables	(3,168)	647
— Trade and other payables	4,634	(1,726)
— Contract liabilities	(719)	(162)
— Amounts due from associates	(24)	53
— Amount due to related party	–	(2,851)
Cash generated from operations	88,244	75,838
Interest paid	(4,964)	(5,616)
Income tax paid	(409)	(1,753)
<b>Net cash generated from operating activities</b>	<b>82,871</b>	68,469
<b>Cash flows from investing activities</b>		
Pledged bank deposits	–	(229)
Purchase of property, plant and equipment	(1,771)	(18,963)
Proceeds from disposal of property, plant and equipment	–	150
Investment in associates	–	(990)
Interest received	25	77
<b>Net cash used in investing activities</b>	<b>(1,746)</b>	(19,955)

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from financing activities</b>		
Pledged bank deposit	6,047	–
Proceeds from loan from non-controlling shareholders of subsidiaries	–	4,700
Repayment of bank borrowings	(9,135)	(8,649)
Payment of lease liabilities	(52,304)	(56,700)
Dividends paid	(980)	(3,600)
Net proceeds from issue of ordinary shares	–	14,213
<b>Net cash used in financing activities</b>	<b>(56,372)</b>	<b>(50,036)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>24,753</b>	<b>(1,522)</b>
Cash and cash equivalents at 1 January	39,716	41,379
Effect of foreign exchange rate changes	243	(141)
Cash and cash equivalents at 31 December	<b>64,712</b>	39,716

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

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

	Borrowings HK\$'000	Lease liabilities HK\$'000	Loan from non-controlling shareholders HK\$'000	Total HK\$'000
At 1 January 2019	29,230	130,108	–	159,338
Cash flows				
— (Outflow)/inflow from financing activities	(8,649)	(56,700)	4,700	(60,649)
— Outflow from operating activities	(937)	(4,679)	–	(5,616)
Non-cash changes				
— Finance cost	937	4,679	–	5,616
— Lease modification	–	50,209	–	50,209
— Addition to lease liabilities	–	26,405	–	26,405
— Others	–	(2,900)	2,900	–
At 31 December 2019	20,581	147,122	7,600	175,303
At 1 January 2020	<b>20,581</b>	<b>147,122</b>	<b>7,600</b>	<b>175,303</b>
Cash flows				
— Outflow from financing activities	<b>(9,135)</b>	<b>(52,304)</b>	–	<b>(61,439)</b>
— Outflow from operating activities	<b>(559)</b>	<b>(4,405)</b>	–	<b>(4,964)</b>
Non-cash changes				
— Finance cost	<b>559</b>	<b>4,405</b>	–	<b>4,964</b>
— Lease modification	–	<b>14,373</b>	–	<b>14,373</b>
— Disposal of lease liabilities	–	<b>(1,130)</b>	–	<b>(1,130)</b>
— Addition to lease liabilities	–	<b>626</b>	–	<b>626</b>
At 31 December 2020	<b>11,446</b>	<b>108,687</b>	<b>7,600</b>	<b>127,733</b>

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

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### 1.1 General information

1957 & Co. (Hospitality) Limited (the “Company”) was incorporated in the Cayman Islands on 3 February 2016 as an exempted company with limited liability under Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Room 702, 101 King’s Road, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in operation of restaurants and catering management and consultancy services (the “Business”).

These financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

The Company has listed its shares on the GEM of The Stock Exchange of Hong Kong Limited (“GEM”) on 5 December 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

#### (i) Compliance with HKFRS and HKCO

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

#### (ii) Historical cost convention

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

#### (iii) Adoption of new standards, interpretation and amendments to standards

The Group has adopted the following new standards, interpretation and amendments to standards which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2020:

Amendments to HKFRS 3 (Revised)	Definition of a business (amendments)
Conceptual Framework for Financial Reporting 2018	Revised conceptual Framework for Financial reporting
Amendments to HKAS 1 and HKAS 8	Definition of material (amendments)
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform — Phase 1 (amendments)

The adoption of the above new standards, interpretation and amendments to standards did not have any significant financial impact on these consolidated financial statements.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

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

The following are new standards, interpretation and amendments to standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods, but have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 (amendments)	1 January 2021
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Amendment to HKFRS 3	Definition of a business (amendments)	1 January 2022
Amendment to HKFRS 16	Property, Plant and equipment (amendments)	1 January 2022
Amendment to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments)	1 January 2022
HKFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Group will apply the above new standards, interpretation and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above HKFRS.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

#### (v) Going concern

The Group had current liabilities of HK\$114,533,000 as at 31 December 2020 (2019: HK\$121,464,000) of which HK\$57,965,000 (2019: HK\$59,548,000) were lease liabilities where the corresponding right-of-use assets were included in property, plant and equipment within non-current assets. In addition, bank borrowings amounting to HK\$5,833,000 (2019: HK\$11,601,000), which are contractually due for repayment after one year contain repayable on demand clause and are therefore classified as current liabilities in accordance with HK Interpretation 5, "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayable on Demand Clause".

Management considers that (i) the lease assets as stated above will be generating sufficient cash flows to cover the lease liabilities under normal circumstances, (ii) it is highly unlikely that the relevant banks will exercise their discretion to demand immediate repayment and believes that such bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements, and that the current bank facilities will continue to be available for the next twelve months.

Setting aside the lease liabilities of HK\$57,965,000 (2019: HK\$59,548,000) and the bank borrowing due after one year but contain a repayable on demand clause of HK\$5,833,000 (2019: HK\$11,601,000), the Group's current assets exceeded its current liabilities by HK\$37,036,000 as at 31 December 2020 (2019: HK\$15,651,000). The directors of the Company have considered the Group's consolidated financial position to conclude that the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

(a) *Business combinations*

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

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

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

#### 2.2.2 Separate financial statements

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

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

### 2.3 Non-controlling interests

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Associates

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

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

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

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

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

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

### 2.5 Segment reporting

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

#### (iii) Group companies

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

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Property, plant and equipment

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

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

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

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

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

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

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

### 2.8 Intangible assets

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Impairment of non-financial assets

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

### 2.10 Financial assets

#### (i) Classification

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

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

#### (ii) Recognition

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

#### (iii) Measurement

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

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



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (Continued)

#### (iv) Impairment

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

- Trade receivables
- Deposits and other receivables
- Pledged deposits
- Cash and cash equivalents
- Amounts due from related parties

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

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

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

### 2.11 Offsetting financial instruments

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

### 2.12 Inventories

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Trade and other receivables

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

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

### 2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts, if applicable.

### 2.15 Share capital

Ordinary shares are classified as equity.

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

### 2.16 Trade and other payables

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

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

### 2.17 Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Borrowing costs

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

### 2.19 Current and deferred income tax

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

#### (i) Current income tax

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

#### (ii) Deferred income tax

##### *Inside basis differences*

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

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

##### *Outside basis differences*

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Current and deferred income tax (Continued)

#### (iii) Offsetting

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

### 2.20 Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Bonus entitlement

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

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

#### (iii) Pension obligation

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

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

#### (iv) Long service payments

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Provision

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

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

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

### 2.22 Revenue recognition

#### (i) Revenue from operation of restaurants

The Group operates restaurants to provide catering services. Revenue from catering services is recognised in the consolidated income statement at the point of sale to customers or when a group entity has delivered products to the customer.

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

#### (ii) Revenue from catering management and consultancy services

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

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

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

#### (iii) Customer loyalty programme

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

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 Interest income

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

### 2.24 Dividend distribution

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

### 2.25 Leases

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Further information on how the Group accounts for government grants is set out in note 7 to the financial statements.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

#### (i) Market risk

##### (a) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB") and United States Dollars ("US\$").

Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities.

The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. The Group currently does not have a foreign currency hedging policy.

At 31 December 2020, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax loss for the year would have been approximately HK\$95,000 (2019: HK\$72,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of bank deposits denominated in the RMB.

The foreign exchange exposure for the US\$ is considered minimal as HK\$ is pegged with the US\$.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (i) Market risk (Continued)

##### (b) Interest rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. As at 31 December 2020, the Group's borrowings at variable rate were denominated in HK\$ (2019: same).

At 31 December 2020, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis (2019: 50 basis) higher/lower with all other variables held constant, post-tax loss for the year would have been HK\$48,000 (2019: HK\$86,000) higher/lower, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### (ii) Credit risk

##### (a) Risk management

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, and cash in bank (2019: same).

To manage the risk arising from cash in bank and restricted bank balances, the Group only transacts with reputable banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions.

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

##### (b) Impairment of financial assets

The Group has the following financial assets that are subject to the expected credit loss model:

- trade receivables
- other financial assets carried at amortised cost

While cash and cash equivalents and pledged deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.



# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (ii) Credit risk (Continued)

##### (b) Impairment of financial assets (Continued)

###### Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a prepayment plan with the Company, and a failure to make contractual payments.

Trade receivables of the Group represent amounts due from various financial institutions as a result of credit cards payment arrangement. Taking into account the high credit rating of these counterparties, who also has no recent history of default and that the Group is not contractually exposed to the risk of default by the ultimate customer arising from these payment arrangements, management assessed the expected credit loss rate of these trade receivables is close to zero. Therefore, the credit loss allowance for these balances was not significant and no provision was recognised.

###### Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables, amounts due from related parties. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost. As at 31 December 2020 and 2019, there is no loss allowance in respect of individually assessed receivables. The provision for impairment is determined based on the 12-month expected credit losses, which is close to zero.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (iii) Liquidity risk

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

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

	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
<b>At 31 December 2020</b>					
Trade payables	-	16,770	-	-	16,770
Other payables and accruals	-	15,255	-	-	15,255
Lease liabilities	-	61,974	50,172	1,621	113,767
Loan from non-controlling shareholders (Note 28(b))	-	7,600	-	-	7,600
Bank borrowings	11,446	-	-	-	11,446
	<b>11,446</b>	<b>101,599</b>	<b>50,172</b>	<b>1,621</b>	<b>164,838</b>
<b>At 31 December 2019</b>					
Trade payables	-	13,920	-	-	13,920
Other payables and accruals	-	15,072	-	-	15,072
Lease liabilities	-	64,037	53,792	37,089	154,918
Loan from non-controlling shareholders (Note 28(b))	7,600	-	-	-	7,600
Bank borrowings	21,648	-	-	-	21,648
	<b>29,248</b>	<b>93,029</b>	<b>53,792</b>	<b>37,089</b>	<b>213,158</b>

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner to procure adequate financial resumes from the owner. The Group's overall strategy remains consistent during the years ended 31 December 2019 and 2020.

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

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

The gearing ratios as at 31 December 2019 and 2020 are as follows:

	2020 HK\$'000	2019 HK\$'000
Total borrowings	19,046	28,181
Less: cash and cash equivalents	(64,712)	(39,716)
Net cash	(45,666)	(11,535)
Total equity	56,374	74,639
Gearing ratio	N/A	N/A

As at 31 December 2020, the Group had a net cash position and its cash and cash equivalents exceeded the total balance of borrowings by HK\$45,666,000 (2019: HK\$11,535,000) respectively. Accordingly, the analysis on the Group's gearing ratio is not presented in the consolidated financial statements.

### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities (including cash and cash equivalents, pledged bank deposits, trade and other receivables, amounts due from related parties, lease liabilities, contract liabilities, loan from non-controlling shareholders, bank borrowings and trade and other payables) approximate their fair values due to their short maturities.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

### (i) Impairment of property, plant and equipment

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

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

### (ii) Customer loyalty award credits

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

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

### (iii) Income taxes

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

## 5 SEGMENT INFORMATION

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

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

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

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

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

### Segment revenue and results

Year ended 31 December 2020

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Total HK\$'000
Total segment revenue	318,950	20,509	339,459
Inter-segment revenue	–	(19,007)	(19,007)
<b>Revenue from external customers</b>	<b>318,950</b>	<b>1,502</b>	<b>320,452</b>
<b>Result</b>			
Segment (loss)/profit	(2,435)	1,458	(977)
Other gains and income, net			2,483
Unallocated staff costs			(16,059)
Unallocated depreciation and amortisation			(1,539)
Unallocated utilities and consumables			(8)
Unallocated other expenses			(2,123)
Share of losses of associates			(1,057)
Loss before income tax			(19,280)
<b>Other segment items</b>			
Depreciation and amortisation	(80,222)	–	(80,222)
Impairment loss on property, plant and equipment	(19,400)	–	(19,400)
Finance income	19	6	25
Finance costs	(4,920)	(44)	(4,964)

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

Year ended 31 December 2019

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Total HK\$'000
Total segment revenue	343,361	19,706	363,067
Inter-segment revenue	–	(17,331)	(17,331)
<b>Revenue from external customers</b>	<b>343,361</b>	<b>2,375</b>	<b>345,736</b>
<b>Result</b>			
Segment (loss)/profit	(2,298)	1,874	(424)
Other gains, net			1,946
Unallocated staff costs			(14,575)
Unallocated depreciation and amortisation			(1,564)
Unallocated utilities and consumables			(17)
Unallocated other expenses			(2,454)
Share of losses of associates			(251)
Loss before income tax			(17,339)
<b>Other segment items</b>			
Depreciation and amortisation	(78,058)	–	(78,058)
Impairment loss on property, plant and equipment	(11,600)	–	(11,600)
Finance income	57	20	77
Finance costs	(5,537)	(79)	(5,616)

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

### Information about major customers

There are no single external customers who contributed more than 10% of the revenue of the Group during the year ended 31 December 2020 (2019: same).

### Segment assets and liabilities

At 31 December 2020

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment assets	262,407	64,736	702	(109,151)	218,694
Interest in associates	–	–	2,935	–	2,935
	<b>262,407</b>	<b>64,736</b>	<b>3,637</b>	<b>(109,151)</b>	<b>221,629</b>
Segment liabilities	218,524	51,979	3,903	(109,151)	165,255

At 31 December 2019

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment assets	325,156	62,170	1,563	(108,984)	279,905
Interest in associates	–	–	3,808	–	3,808
	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 PRC. The principal assets of the Group were also located in Hong Kong as at 31 December 2020 and 2019. Accordingly, no analysis by geographical segment is provided.



# Notes to the Consolidated Financial Statements

## 6 REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Operation of restaurants, recognised at a point in time	318,950	343,361
Catering management and consultancy services, recognised overtime	1,502	2,375
	<b>320,452</b>	345,736

## 7 OTHER GAINS AND INCOME, NET

	2020 HK\$'000	2019 HK\$'000
Government grants	24,340	–
Net gain on disposal of property, plant and equipment	92	–
Sundry income	729	1,946
	<b>25,161</b>	1,946

Employment Support Scheme of approximately HK\$9,315,000 and Catering Business (Social Distancing) Subsidy Scheme of approximately HK\$15,025,000 were recognised for the year ended 31 December 2020. There are no unfulfilled conditions or other contingencies attaching to these grants.

## 8 FINANCE COSTS, NET

	2020 HK\$'000	2019 HK\$'000
<b>Finance income</b>		
Interest income	25	77
<b>Finance costs</b>		
Interest expenses on bank borrowings	(559)	(937)
Interest expenses on lease liabilities (Note 13(b))	(4,405)	(4,679)
	<b>(4,964)</b>	(5,616)
Finance costs, net	<b>(4,939)</b>	(5,539)

# Notes to the Consolidated Financial Statements

## 9 OTHER OPERATING EXPENSES

	2020 HK\$'000	2019 HK\$'000
Auditor's remuneration		
— Audit services	930	930
— Non-audit services	656	476
Advertising and promotion	879	1,233
Cleaning and laundry expenses	10,120	12,617
Credit card charges	5,768	6,391
Commission	2,263	1,259
Decoration, repairs and maintenance	1,995	2,146
Legal and professional fees	2,530	3,572
Printing expenses	970	1,080
Restaurant supplies and consumables	4,937	4,787
Travelling expenses	266	840
Entertainment	984	765
Event services fee	70	689
Telecommunication charges	252	266
Storage expenses	238	258
Motor vehicle expenses	218	168
Others	737	653
	<b>33,813</b>	38,130

## 10 EMPLOYEE BENEFIT EXPENSES

	2020 HK\$'000	2019 HK\$'000
Wages, salaries, bonus and other benefits	106,150	115,304
Pension costs — defined contribution plans	4,514	4,950
	<b>110,664</b>	120,254

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 included three (2019: two) directors whose emoluments are reflected in the analysis presented in Note 29. The emoluments payable to the remaining two (2019: three) individuals during the years ended 31 December 2020 and 2019 are as follows:

	2020 HK\$'000	2019 HK\$'000
Basic salaries, allowances and benefits	1,748	2,469
Discretionary bonuses	157	256
Employer's contribution to pension scheme	36	54
	<b>1,941</b>	2,779

# Notes to the Consolidated Financial Statements

## 10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The emoluments fell within the following bands:

	2020	2019
	Number of individuals	
Emolument bands (in HK dollar)		
HK\$500,001–HK\$1,000,000	1	2
HK\$1,000,001–HK\$1,500,000	1	1

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2020 (2019: same).

## 11 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax is levied at progressive rates at 8.25% on the taxable income below HK\$2,000,000, and thereafter at a fixed rate at 16.5% for the years ended 31 December 2020 and 2019.

The amount of income tax expense (credited)/charged to the consolidated income statement represents:

	2020	2019
	HK\$'000	HK\$'000
Current profits tax		
— Current income tax for the year	926	1,314
— Over provision in prior year	(47)	(228)
Deferred tax	(2,449)	(683)
Income tax (credit)/expense	(1,570)	403

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

	2020	2019
	HK\$'000	HK\$'000
Loss before income tax	(19,280)	(17,339)
Share of results of associates	1,057	251
	(18,223)	(17,088)
Tax calculated at applicable taxation rate	(3,249)	(2,985)
Effect of the progressive tax rate of 8.25%	165	165
Tax reduction	(80)	(88)
Income not subject to tax	(4,149)	(11)
Expenses not deductible for tax purposes	834	564
Over provision in prior year	(47)	(228)
Utilisation of tax loss previously not recognised	(259)	–
Tax losses and other temporary differences for which no deferred income tax asset was recognised	5,215	2,986
Income tax (credit)/expense	(1,570)	403

# Notes to the Consolidated Financial Statements

## 12 LOSSES PER SHARE

### (a) Basic

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

	2020	2019
Loss attributable to owners of the Company (HK\$'000)	<b>(12,909)</b>	(14,189)
Weighted average number of ordinary shares in issue (in thousands)	<b>384,000</b>	357,699
Basic losses per share (HK cents)	<b>(3.36)</b>	(3.97)

### (b) Diluted

Diluted losses per share for the years ended 31 December 2020 and 2019 were the same as the basic losses per share as there were no potential dilutive ordinary shares.

## 13(a) PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and fixture HK\$'000	Kitchen and operating equipment HK\$'000	Computer equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>At 1 January 2019</b>							
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
<b>Year ended 31 December 2019</b>							
Opening net book amount	133,269	54,816	3,066	7,629	1,074	143	199,997
Additions	26,405	13,068	2,135	1,731	346	–	43,685
Lease modification	50,209	–	–	–	–	–	50,209
Disposal	–	–	–	(150)	–	–	(150)
Impairment	(6,986)	(3,821)	(296)	(463)	(34)	–	(11,600)
Depreciation	(56,857)	(18,219)	(969)	(2,681)	(649)	(31)	(79,406)
Closing net book amount	146,040	45,844	3,936	6,066	737	112	202,735

# Notes to the Consolidated Financial Statements

## 13(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and fixture HK\$'000	Kitchen and operating equipment HK\$'000	Computer equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>At 31 December 2019</b>							
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
<b>Year ended 31 December 2020</b>							
Opening net book amount	146,040	45,844	3,936	6,066	737	112	202,735
Additions	626	1,482	104	157	28	-	2,397
Lease modification	14,373	-	-	-	-	-	14,373
Disposal	(990)	(38)	(1)	(8)	(1)	-	(1,038)
Impairment (i)	(12,926)	(5,223)	(441)	(755)	(55)	-	(19,400)
Depreciation	(58,147)	(18,948)	(1,279)	(2,610)	(530)	(31)	(81,545)
Closing net book amount	88,976	23,117	2,319	2,850	179	81	117,522
<b>At 31 December 2020</b>							
Cost	371,527	115,446	9,798	17,555	2,645	156	517,127
Accumulated depreciation and impairment	(282,551)	(92,329)	(7,479)	(14,705)	(2,466)	(75)	(399,605)
Net book amount	88,976	23,117	2,319	2,850	179	81	117,522

# Notes to the Consolidated Financial Statements

## 13(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (i) Impairment

As at 31 December 2020, due to the under-performance of certain restaurants operated in Hong Kong, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets with carrying amounts of HK\$35,020,000 (2019: HK\$61,309,000) and HK\$101,902,000 (2019: HK\$153,026,000) respectively.

The recoverable amount of each CGU, representing each restaurant, has been determined based on the higher of fair value less cost of disposal and a value in use calculation. Value in use calculation uses cash flow projections based on financial budgets approved by the management covering the lease terms with pre-tax discount rates of 14.5% as at 31 December 2020 (2019: 13.5%). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. The recoverable amounts of the CGU which have indicators and being tested for impairment were HK\$117,522,000 (2019: HK\$202,735,000). The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is reduced to a level which is not above the highest of its fair value less cost of disposal and its value in use. Based on the value in use calculation and the allocation, an impairment loss of HK\$6,474,000 and HK\$12,926,000 (2019: HK\$4,614,000 and HK\$6,986,000), respectively, has been recognised against the carrying amount of property, plant and equipment and right-of-use assets.

## 13(b) LEASES

This note provides information for leases where the Group is a lessee.

### (i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 HK\$'000	2019 HK\$'000
<b>Right-of-use assets</b>		
Properties	<b>88,976</b>	146,040
<b>Lease liabilities</b>		
Current	<b>57,965</b>	59,548
Non-current	<b>50,722</b>	87,574
	<b>108,687</b>	147,122

There is HK\$626,000 additions to the right-of-use assets during the 2020 financial year (2019: HK\$26,405,000).

There is HK\$14,373,000 additions to the right-of-use assets during the 2020 financial year as a result of modifications to certain lease agreements (2019: HK\$50,209,000).

During the 2020 financial year, a lease agreement in relation to right-of-use assets amounting to HK\$990,000, was early terminated (2019: Nil).

# Notes to the Consolidated Financial Statements

## 13(b) LEASES (CONTINUED)

### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement show the following amounts relating to leases:

	Note	2020 HK\$'000	2019 HK\$'000
<b>Depreciation charge of right-of-use assets</b>			
Properties	13(a)	<b>58,147</b>	56,857
Interest expense (included in finance cost)	8	<b>4,405</b>	4,679
Expenses relating to short-term leases		<b>213</b>	197
Expenses relating to variable leases payment		<b>7,578</b>	7,218
		<b>12,196</b>	12,094

The total cash outflows for leases including payments of lease liabilities, payments of interest expenses on leases and payments of contingent rents for the year ended 31 December 2020 were HK\$64,606,000 (2019: HK\$66,939,000).

### (iii) The Group's leasing activities and how these are accounted for

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

### (iv) Variable lease payments

Contingent rents determined with reference to the Group's revenue from relevant restaurant operations that are not included in lease liabilities are recognised as "rental expenses". The Group recognised HK\$7,578,000 (2019: HK\$7,218,000) contingent rent and government rates for the year ended 31 December 2020.

### (v) Extension options

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

# Notes to the Consolidated Financial Statements

## 14 INTANGIBLE ASSETS

	2020 HK\$'000	2019 HK\$'000
<b>At 1 January</b>		
Cost	2,112	2,112
Accumulated amortisation	(696)	(480)
<b>Net book amount</b>	<b>1,416</b>	1,632
Opening net book amount	1,416	1,632
Amortisation charge	(216)	(216)
<b>Closing net book amount</b>	<b>1,200</b>	1,416
<b>At 31 December</b>		
Cost	2,112	2,112
Accumulated amortisation	(912)	(696)
<b>Net book amount</b>	<b>1,200</b>	1,416

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

## 15 SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2020.

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group	
				2020	2019
<i>Directly held by group:</i>					
1957 & Co. (BVI) Hospitality Limited	BVI, limited liability company	Investment holding in BVI	1 ordinary share, US\$ 1	<b>100%</b>	100%
<i>Indirect Interests:</i>					
1957 & Co. (Hospitality) HK Limited	Hong Kong, limited liability company	Investment holding and ownership of trade marks in Hong Kong	33,500,000 ordinary shares, HK\$1,000,000	<b>100%</b>	100%
1957 & Co. (Management) Limited	Hong Kong, limited liability company	Restaurant management and consultancy services in Hong Kong	1,000,000 ordinary shares, HK\$1,000,000	<b>100%</b>	100%
1957 & Co. (Shenzhen) Restaurant Management Limited 一九五七（深圳）餐飲管理有限公司	People's Republic of China, limited liability company*	Restaurant management and consultancy services in the PRC	Registered capital of US\$200,000	<b>100%</b>	100%



# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group	
				2020	2019
<i>Indirect Interests:</i>					
1957 and Partners Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	100 ordinary shares, HK\$100	51%	51%
An Nam (Festival Walk) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	1,000,000 ordinary shares, HK\$1,000,000	100%	100%
An Nam Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	10,000,000 ordinary shares, HK\$1,000,000	100%	100%
Bella Vita Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	8,000,000 ordinary shares, HK\$1,000,000	100%	100%
Gonpachi Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	18,000,000 ordinary shares, HK\$1,000,000	100%	100%
Hokkaidon Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	70,000 ordinary shares, HK\$7,000,000	60%	60%
L Garden and Partners Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	100 ordinary shares, HK\$100	71%	71%
Mango Tree (HK) Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	7,000,000 ordinary shares, HK\$1,000,000	100%	100%
Mango Tree (Kowloon) Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	13,000,000 ordinary shares, HK\$1,000,000	100%	100%
Modern Shanghai (Hong Kong) Food & Beverage Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	9,100,000 ordinary shares, HK\$100,000	60%	60%
Modern Shanghai (YOHO Midtown) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	9,000,000 ordinary shares, HK\$100,000	60%	60%
Petit An Nam (YOHO Midtown) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	7,500,000 ordinary shares, HK\$1,000,000	100%	100%
Sushi Ta-ke Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	8,000,000 ordinary shares, HK\$1,000,000	100%	100%

\* Registered as wholly foreign owned enterprises under PRC law

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest

#### Summarised financial information on subsidiaries with material non-controlling interests

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

*Summarised statements of financial position*

**At 31 December 2020**

	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaido Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
<b>Current</b>				
Assets	26,266	9,790	8,881	8,932
Liabilities	(33,543)	(3,225)	(11,715)	(24,855)
Total net current (liabilities)/assets	(7,277)	6,565	(2,834)	(15,923)
<b>Non-current</b>				
Assets	14,764	3,240	17,815	9,289
Liabilities	(11,585)	–	(4,605)	(4,810)
Total net non-current assets	3,179	3,240	13,210	4,479
Net (liabilities)/assets	(4,098)	9,805	10,376	(11,444)
Net (liabilities)/assets attributable to NCI	(1,639)	3,922	5,085	(3,318)

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest (Continued)

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

Summarised statements of financial position (Continued)

At 31 December 2019

	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
<b>Current</b>				
Assets	23,418	7,947	6,137	5,213
Liabilities	(35,819)	(5,785)	(10,992)	(22,613)
Total net current (liabilities)/assets	(12,401)	2,162	(4,855)	(17,400)
<b>Non-current</b>				
Assets	35,788	7,487	26,678	23,462
Liabilities	(16,518)	(1,539)	(10,545)	(11,874)
Total net non-current assets	19,270	5,948	16,133	11,588
Net assets/(liabilities)	6,869	8,110	11,278	(5,812)
Net assets/(liabilities) attributable to NCI	2,748	3,244	5,526	(1,685)

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest (Continued)

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

Summarised statements of comprehensive income

	Year ended 31 December 2020			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
Revenue	49,467	15,290	34,570	34,669
(Loss)/profit before income tax	(11,304)	1,758	899	(5,631)
Income tax credit/(expenses)	343	(63)	200	–
Other comprehensive loss	(5)	–	–	–
Total comprehensive (loss)/income for the year	(10,966)	1,695	1,099	(5,631)
NCI%	40%	40%	49%	29%
Total comprehensive (loss)/income for the year allocated to non-controlling interests	(4,387)	678	539	(1,633)

	Year ended 31 December 2019			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
Revenue	40,678	18,080	37,188	33,019
Profit/(loss) before income tax	1,161	1,027	(392)	(14,339)
Income tax (expenses)/credit	(111)	(164)	65	–
Other comprehensive loss	(8)	–	–	–
Total comprehensive income/(loss) for the year	1,042	863	(327)	(14,339)
NCI%	40%	40%	49%	29%
Total comprehensive income/(loss) for the year allocated to non-controlling interests	417	345	(160)	(4,158)

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest (Continued)

#### Summarised statements of cash flows

	Year ended 31 December 2020			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
Net cash generated from operating activities	7,454	3,411	9,475	8,719
Net cash used in investing activities	(2,234)	–	(35)	–
Net cash used in financing activities	(6,961)	(1,446)	(6,619)	(5,135)
Net (decrease)/increase in cash and cash equivalent	(1,741)	1,965	2,821	3,584
Cash and cash equivalents at beginning of year	7,720	7,409	5,185	4,234
Cash and cash equivalents at end of year	5,979	9,374	8,006	7,818

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

# Notes to the Consolidated Financial Statements

## 16 INTEREST IN ASSOCIATES

	2020 HK\$'000	2019 HK\$'000
Investment in associates	<b>2,935</b>	3,808

Movement of interest in associates during the years ended 31 December 2019 and 2020 are analysed as below:

	2020 HK\$'000	2019 HK\$'000
As at 1 January	<b>3,808</b>	3,117
Additions	–	990
Share of losses of associates	<b>(1,057)</b>	(251)
Currency translation difference, net	<b>184</b>	(48)
As at 31 December	<b>2,935</b>	3,808

The particulars of the Group's associated companies as at 31 December 2020 are as follows:

Name of entity	Principal activity	Place of business/ country of incorporation	% of ownership interest As at 31 December		Measurement method
			2020	2019	
Modern Shanghai International Food & Beverage Limited	Investment holding	Hong Kong	<b>40.0%</b>	40.0%	Equity method
Guangzhou Mango Tree Food & Beverage Co. Ltd 廣州芒果樹餐飲有限公司	Operation of restaurant	People's Republic of China ("PRC")	<b>24.9%</b>	24.9%	Equity method
Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd 廣州芒果樹麗柏餐飲有限公司	Operation of restaurant	PRC	<b>15.0%</b> <b>(Note)</b>	15.0% (Note)	Equity method
Guangzhou Ten Shanghai Food & Beverage Co. Ltd 廣州十里弄餐飲有限公司	Operation of restaurant	PRC	<b>24.9%</b>	24.9%	Equity method

Note: The Group is able to exercise significant influence over Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd because it has the power to appoint one out of four directors of that company under the article of association of that company.

# Notes to the Consolidated Financial Statements

## 16 INTEREST IN ASSOCIATES (CONTINUED)

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

Summarised balance sheet	Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd	Guangzhou Mango Tree Food & Beverage Co. Ltd 31 December 2020	Guangzhou Ten Shanghai Food & Beverage Co. Ltd
	HK\$'000	HK\$'000	HK\$'000
Current assets			
Cash and cash equivalents	100	137	387
Other current assets	3,672	11,931	1,462
Total current assets	3,772	12,068	1,849
Non-current assets	6,829	8,923	8,186
Current liabilities			
Financial liabilities (excluding trade payables)	1,714	5,807	4,353
Other current liabilities	2,249	3,435	1,536
Total current liabilities	3,963	9,242	5,889
Non-current liabilities	2,251	3,360	3,391
<b>Net assets</b>	<b>4,387</b>	<b>8,389</b>	<b>755</b>
<b>Reconciliation to carrying amounts:</b>			
Opening net assets at 1 January 2020	6,171	8,927	2,648
Loss for the year	(2,173)	(1,066)	(1,871)
Exchange reserve	389	528	(22)
<b>Closing net assets at 31 December 2020</b>	<b>4,387</b>	<b>8,389</b>	<b>755</b>
Group's share in %	15.0%	24.9%	24.9%
Carrying amount	658	2,089	188
Revenue	8,878	18,058	7,760
Interest income	52	1	1
Depreciation and amortisation	(1,459)	(1,767)	(1,736)
Interest expense	(201)	(285)	(287)
<b>Loss for the year</b>	<b>(2,173)</b>	<b>(1,066)</b>	<b>(1,871)</b>
Other comprehensive income/(loss)	389	528	(22)
Total comprehensive loss	(1,784)	(538)	(1,893)
Dividends received from associates	-	-	-

# Notes to the Consolidated Financial Statements

## 16 INTEREST IN ASSOCIATES (CONTINUED)

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

The directors are of the opinion that the interest in Modern Shanghai International Food & Beverage Limited is not material to the Group as at 31 December 2020 (2019: same). There are no material contingent liabilities relating to the Group's interest in the associates.



# Notes to the Consolidated Financial Statements

## 17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables		
— Associates	2,182	501
— Third parties	2,630	3,235
	<b>4,812</b>	3,736
Deposits	4,136	3,228
Prepayments	1,671	901
Other receivables	1,451	1,037
	<b>7,258</b>	5,166

The credit periods granted to customers other than credit card companies were 30 to 180 days (2019: same).

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

As at 31 December 2020, the Group does not have any trade and other receivables that are impaired (2019: same).

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

	2020 HK\$'000	2019 HK\$'000
1 to 30 days	1,606	2,129
31 to 60 days	678	819
61 to 90 days	558	284
Over 90 days	1,970	504
	<b>4,812</b>	3,736

# Notes to the Consolidated Financial Statements

## 18 INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Food and beverages	<b>2,354</b>	2,090

The cost of inventories recognised as expense and included in "cost of inventories sold" amounted to HK\$91,709,000 for the year ended 31 December 2020 (2019: HK\$88,119,000).

## 19 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Cash at banks	<b>63,976</b>	38,811
Cash on hand	<b>736</b>	905
Cash and cash equivalents	<b>64,712</b>	39,716
Pledged bank deposits (Note)	<b>7,035</b>	13,082
Denominated in:		
Hong Kong Dollar	<b>68,332</b>	49,889
Renminbi	<b>1,903</b>	1,432
US Dollar	<b>1,512</b>	1,477
	<b>71,747</b>	52,798
Maximum exposure on credit risk	<b>71,011</b>	51,893

Note: As at 31 December 2020, bank deposits of HK\$2,010,000 and HK\$5,025,000 (2019: HK\$2,010,000 and HK\$11,072,000) were pledged as guarantee for payments under lease agreement and bank borrowings, respectively.

# Notes to the Consolidated Financial Statements

## 20 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital HK\$'000	Share premium HK\$'000
<b>Authorised:</b>			
Ordinary share capital of HK\$0.0001 each as at 31 December 2019 and 2020	3,800,000,000	380	–
<b>Issued and fully paid:</b>			
As at 1 January 2019	320,000,000	32	86,773
Shares issued (Note)	64,000,000	6	15,034
Less: transaction costs arising on share issues	–	–	(827)
As at 31 December 2019, 1 January 2020 and 31 December 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 pari passu in all respects with the then existing shares.

# Notes to the Consolidated Financial Statements

## 21 TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables (Note (a))	<b>16,770</b>	13,920
Accrued staff costs	<b>9,066</b>	8,813
Payable for contingent rent	<b>310</b>	445
Payable for purchase of property, plant and equipment	<b>176</b>	274
Guest deposit	<b>551</b>	416
Other accrued operating expenses	<b>7,242</b>	6,881
Other payables	<b>2,159</b>	891
	<b>19,504</b>	17,720
Total trade and other payables	<b>36,274</b>	31,640

The carrying amounts of trade and other payables approximate their fair value and are denominated in HK\$ (2019: same).

Notes:

- (a) Payment term on majority of purchase of goods is 30 to 60 days (2019: same).

An ageing analysis of trade payables based on invoice date as at the date of consolidated statement of financial position is as follows:

	2020 HK\$'000	2019 HK\$'000
1 to 30 days	<b>7,453</b>	7,730
31 to 60 days	<b>9,174</b>	6,153
61 to 90 days	<b>20</b>	7
Over 90 days	<b>123</b>	30
	<b>16,770</b>	13,920

# Notes to the Consolidated Financial Statements

## 22 CONTRACT LIABILITIES

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

	2020 HK\$'000	2019 HK\$'000
As at 1 January	1,519	1,681
Addition during the year	2,734	4,956
Redemption	(2,424)	(4,054)
Expired	(1,029)	(1,064)
As at 31 December	800	1,519

### (i) Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Operation of restaurants	1,519	1,681

There is no revenue recognised during the current year (2019: same) related to performance obligations that were satisfied in prior year.

### (ii) Unsatisfied long-term contracts

The Group selected to choose a practical expedient and omit disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

# Notes to the Consolidated Financial Statements

## 23 BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
<i>Current</i>		
Bank borrowings	<b>11,446</b>	20,581

The Group's bank borrowings as at 31 December 2020 and 2019 were all denominated in HK\$.

As at 31 December 2020, the Group's bank borrowings were secured by corporate guarantees given by the Company (2019: same) and pledged bank deposits of HK\$5,025,000 (2019: HK\$11,072,000).

The weighted average effective interest rate of the bank borrowings as at 31 December 2020 was 3.50% per annum (2019: 4.04% per annum).

The carrying amounts of the Group's bank borrowings at 31 December 2020 and 2019 approximate their fair values.

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

	2020 HK\$'000	2019 HK\$'000
Within 1 year	<b>5,613</b>	8,980
Between 1 and 2 years	<b>5,833</b>	7,527
Between 2 and 5 years	–	4,074
	<b>11,446</b>	20,581

The Group did not breach any financial bank covenant during the year ended 31 December 2020 (2019: none).

## 24 DEFERRED TAX

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

	2020 HK\$'000	2019 HK\$'000
At 1 January	<b>9,752</b>	9,069
Credited to income statement (Note 11)	<b>2,449</b>	683
At 31 December	<b>12,201</b>	9,752

# Notes to the Consolidated Financial Statements

## 24 DEFERRED TAX (CONTINUED)

Deferred income tax liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2019: 16.5%) prevailing at the time when the temporary differences are expected to realise or settle.

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2020, the Group did not recognise deferred income tax assets of HK\$3,480,000 (2019: HK\$2,860,000) in respect of tax losses amounting to HK\$21,092,000 (2019: HK\$17,333,000) and did not recognise deferred income tax assets of HK\$6,604,000 (2019: HK\$2,268,000) in respect of decelerated tax depreciation amounting to HK\$40,024,000 (2019: HK\$13,745,000) that can be carried forward against future taxable income. There is no expiry date for the unrecognised tax losses.

The movement in deferred income tax assets and liabilities during the years ended 31 December 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets		
<i>Decelerated tax depreciation:</i>		
At 1 January	7,173	5,465
Credited to income statement	2,115	1,708
At 31 December	9,288	7,173
<i>Tax losses:</i>		
At 1 January	3,753	4,098
Charged to income statement	(558)	(345)
At 31 December	3,195	3,753
<i>Leases:</i>		
At 1 January	(1,138)	(449)
Credited/(charged) to income statement	856	(689)
At 31 December	(282)	(1,138)
Deferred income tax assets as at 31 December	12,201	9,788
Deferred tax liabilities		
<i>Accelerated tax depreciation:</i>		
At 1 January	(36)	(45)
Credited to income statement	36	9
At 31 December	-	(36)

# Notes to the Consolidated Financial Statements

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

	2020	2019
	HK\$'000	HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost		
— Trade and other receivables excluding prepayments	<b>10,399</b>	7,865
— Amounts due from related parties (Note 28 (b))	<b>78</b>	54
— Pledged bank deposits (Note 19)	<b>7,035</b>	13,082
— Cash and cash equivalents (Note 19)	<b>64,712</b>	39,716
	<b>82,224</b>	60,717

	2020	2019
	HK\$'000	HK\$'000
<b>Financial liabilities</b>		
Liabilities at amortised cost		
— Trade and other payables	<b>32,025</b>	28,992
— Loan from non-controlling shareholders (Note 28(b))	<b>7,600</b>	7,600
— Bank borrowings (Note 23)	<b>11,446</b>	20,581
Lease liabilities (Note 13(b))	<b>108,687</b>	147,122
	<b>159,758</b>	204,295

## 26 COMMITMENT

The Group did not have any capital expenditure contracted for but not yet incurred as at 31 December 2020 and 2019.

## 27 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2020 and 2019.



# Notes to the Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS

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

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

### (a) Key management compensation

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in Note 29.

### (b) Balances with related parties

	2020 HK\$'000	2019 HK\$'000
Non-trading balance:		
Amount due from an associate (Note (c))		
— Modern Shanghai International Food & Beverage Limited	78	54
Non-trading balance:		
Other payables (Note (c))		
— Guangzhou Mango Tree Food & Beverage Co. Limited	(50)	(149)
Non-trading balance:		
Loan from non-controlling shareholders		
— Chairman Food & Beverage Management Limited (Note (a))	(4,700)	(4,700)
— Jarrett Investments Limited (Note (b))	(2,900)	(2,900)
	<b>(7,600)</b>	<b>(7,600)</b>

# Notes to the Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties (Continued)

	2020 HK\$'000	2019 HK\$'000
Trading balance:		
Payables for purchase of property, plant and equipment (Note (d))		
— Tino Kwan Lighting Consultants Limited	—	(11)
Trading balances:		
Pre-opening consultancy services and management fee (Note (d))		
— Guangzhou Mango Tree Food & Beverage Co. Limited	520	45
— Guangzhou Ten Shanghai Food & Beverage Co. Limited	698	223
— Guangzhou Mango Tree (La Perle) Food & Beverage Co. Limited	964	608
Trading balances:		
Lease liabilities (Note (d))		
— Perfect Win Properties Limited	(8,390)	(17,975)
— Barrowgate Limited	(22,494)	(33,826)

Note:

- (a) The loan from non-controlling shareholder is unsecured, interest-free and repayable six months after the subsidiary achieves net profit position. The carrying amount of the balance approximates its fair value and is denominated in HK\$.
- (b) The loan from non-controlling shareholder is unsecured, interest-free and repayable one month after the subsidiary achieves net cash flow. The carrying amount of the balance approximates its fair value and is denominated in HK\$.
- (c) These amounts due from/(to) to related companies are unsecured, interest-free and repayable on demand. The carrying amount of the balance approximates its fair value and is denominated in HK\$.
- (d) These amounts due from/(to) to related companies are unsecured, interest-free and repayable in according to the agreement mutually agreed. The carrying amount of the balance approximates its fair value and is denominated in HK\$.

# Notes to the Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Transactions with related parties

	2020 HK\$'000	2019 HK\$'000
Purchases of property, plant and equipment from related companies (Note (a))		
— Steve Leung Designers Limited	–	300
— Tino Kwan Lighting Consultants Limited	–	153
Pre-opening consultancy services and management fee (Note (b))		
— Guangzhou Mango Tree Food & Beverage Co. Limited	<b>475</b>	545
— Guangzhou Ten Shanghai Food & Beverage Co. Limited	<b>475</b>	545
— Guangzhou Mango Tree (La Perle) Food & Beverage Co. Limited	<b>356</b>	610
Lease payment (Note (c))		
— Perfect Win Properties Limited	<b>9,493</b>	10,143
— Barrowgate Limited	<b>12,458</b>	13,484

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.

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remunerations of each director for the year ended 31 December 2020 are set out below:

Name	Fee HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money value of other benefit HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors:							
Kwok Chi Po (Chief Executive Officer)	-	1,634	747	180	1	18	2,580
Kwan Wing Kuen Tino	84	-	600	-	-	-	684
Lau Ming Fai	-	1,173	106	-	1	18	1,298
Leung Nicholas Nic-hang (Note 1)	-	305	-	-	1	15	321
Non-executive directors:							
Leung Chi Tien Steve	84	-	600	-	-	-	684
Chan Siu Wan, Anita (Note 2)	7	-	-	-	-	-	7
Independent non-executive directors:							
How Sze Ming	144	-	-	-	-	-	144
Ng Wai Hung	144	-	-	-	-	-	144
Chan Kam Kwan Jason	144	-	-	-	-	-	144
	<b>607</b>	<b>3,112</b>	<b>2,053</b>	<b>180</b>	<b>3</b>	<b>51</b>	<b>6,006</b>

Note 1: Resigned on 30 November 2020

Note 2: Appointed on 30 November 2020

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

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

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

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as directors of the companies comprising the Group during the years ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019 no directors waived or agreed to waive any emoluments.

### (b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits under a defined benefit scheme or termination benefits during the years ended 31 December 2020 and 2019.

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

The Group did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2020 and 2019.

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

No loans, quasi-loans and other dealings were made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the years or at any time during the years (2019: Nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the year (2019: Nil).

## 30 DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

# Notes to the Consolidated Financial Statements

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### Statement of financial position of the Company

	2020 HK\$'000	2019 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a subsidiary	46,483	46,483
<b>Current assets</b>		
Prepayments	365	247
Amounts due from subsidiaries	24,074	26,377
Amount due from an associate	65	–
Cash and cash equivalents	213	488
	<b>24,717</b>	27,112
<b>Total assets</b>	<b>71,200</b>	73,595
<b>EQUITY</b>		
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	38	38
Share premium	100,980	100,980
Accumulated losses	(33,125)	(29,282)
<b>Total equity</b>	<b>67,893</b>	71,736
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accruals	1,823	315
Amount due to a subsidiary	1,484	1,544
	<b>3,307</b>	1,859
<b>Total liabilities</b>	<b>3,307</b>	1,859
<b>Total equity and liabilities</b>	<b>71,200</b>	73,595

**Kwok Chi Po**  
Director

**Leung Chi Tien Steve**  
Director

# Notes to the Consolidated Financial Statements

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

### Reserve movement of the Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2019	86,773	(24,962)	61,811
Loss for the year	–	(4,320)	(4,320)
Issue of shares	14,207	–	14,207
As at 31 December 2019	<b>100,980</b>	<b>(29,282)</b>	<b>71,698</b>
Loss for the year	–	<b>(3,843)</b>	<b>(3,843)</b>
As at 31 December 2020	<b>100,980</b>	<b>(33,125)</b>	<b>67,855</b>