



1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

Third Quarterly Report 2022



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

Financial Highlights

During the nine months ended 30 September 2022:

- the Group recorded unaudited revenue of approximately HK\$243.6 million (2021: HK\$288.2 million), representing a decrease of approximately 15.5% as compared to the corresponding period ended 30 September 2021;
- the Group received the government grants in the amount of approximately HK\$11.2 million (2021: HK\$5.1 million);
- the Group recorded an unaudited adjusted loss before tax and government grants of approximately HK\$12.1 million (2021: adjusted profit of HK\$8.3 million); and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$1.7 million (2021: profit of HK\$9.5 million).

During the three months ended 30 September 2022:

- the Group recorded unaudited revenue of approximately HK\$107.3 million (2021: HK\$101.6 million), representing an increase of 5.6% as compared to the corresponding period ended 30 September 2021;
- the Group received the government grants in the amount of approximately HK\$4.2 million (2021: nil);
- the Group recorded an unaudited adjusted profit before tax and government grants of approximately HK\$3.6 million (2021: adjusted profit of HK\$3.6 million); and
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$6.5 million (2021: HK\$2.3 million).

Condensed Consolidated Income Statement

For the three months and nine months ended 30 September 2022

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2022, together with the unaudited comparative figures for the corresponding periods in 2021, as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	107,264	101,622	243,641	288,232
Other gains and income, net	4	5,127	26	16,129	6,093
Cost of inventories sold		(29,727)	(29,646)	(70,716)	(84,577)
Employee benefit expenses		(38,325)	(32,372)	(96,800)	(90,494)
Depreciation and amortisation		(16,428)	(19,243)	(43,246)	(56,555)
Royalty fees		(1,475)	(1,529)	(3,462)	(4,386)
Rental expenses		(1,751)	(1,840)	(4,885)	(5,762)
Utilities expenses		(3,079)	(2,529)	(7,606)	(7,206)
Other operating expenses	5	(13,058)	(10,275)	(31,513)	(29,028)
Operating profit		8,548	4,214	1,542	16,317
Finance income		3	—	5	1
Finance costs		(554)	(689)	(1,456)	(2,283)
Finance costs, net	6	(551)	(689)	(1,451)	(2,282)
Share of (losses)/profits of associates		(238)	41	(988)	(660)
Profit/(loss) before income tax		7,759	3,566	(897)	13,375
Income tax expense	7	(215)	(543)	(269)	(1,569)
Profit/(loss) for the period		7,544	3,023	(1,166)	11,806
Profit/(loss) for the period attributable to:					
— Owners of the Company		6,521	2,277	(1,712)	9,452
— Non-controlling interests		1,023	746	546	2,354
		7,544	3,023	(1,166)	11,806
Earnings/(losses) per share attributable to owners of the Company for the period (expressed in HK cents per share)					
— Basic and diluted	9	1.70	0.59	(0.45)	2.46

Condensed Consolidated Income Statement

For the three months and nine months ended 30 September 2022

	For the three months ended 30 September		For the nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit/(loss) for the period	7,544	3,023	(1,166)	11,806
Other comprehensive (loss)/income <i>Items that may be reclassified to profit or loss</i>				
— Currency translation differences	(278)	(492)	(371)	72
— Share of other comprehensive loss of associates accounted for using the equity method	(78)	—	(148)	—
Total comprehensive income/(loss) for the period	7,188	2,531	(1,685)	11,878
Total comprehensive income/(loss) for the period attributable to:				
— Owners of the Company	6,165	1,836	(2,231)	9,523
— Non-controlling interests	1,023	695	546	2,355
	7,188	2,531	(1,685)	11,878

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2022

	Attributable to the owners of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
(Unaudited)								
As at 1 January 2021	38	100,980	(2,983)	(186)	(45,525)	52,324	4,050	56,374
Comprehensive income								
Profit and total comprehensive income for the period	-	-	-	-	9,452	9,452	2,354	11,806
Other comprehensive income								
Currency translation differences	-	-	-	71	-	71	1	72
Total comprehensive income	-	-	-	71	9,452	9,523	2,355	11,878
Balance at 30 September 2021	38	100,980	(2,983)	(115)	(36,073)	61,847	6,405	68,252
(Unaudited)								
As at 1 January 2022	38	100,980	(2,983)	(25)	(32,360)	65,650	7,217	72,867
Comprehensive (loss)/income								
(Loss)/profit and total comprehensive (loss)/income for the period	-	-	-	-	(1,712)	(1,712)	546	(1,166)
Other comprehensive loss								
Currency translation differences	-	-	-	(371)	-	(371)	-	(371)
Share of other comprehensive loss of associates accounted for using equity method	-	-	-	(148)	-	(148)	-	(148)
Total comprehensive (loss)/income	-	-	-	(519)	(1,712)	(2,231)	546	(1,685)
Balance at 30 September 2022	38	100,980	(2,983)	(544)	(34,072)	63,419	7,763	71,182

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 February 2016 as an exempted company with limited liability under Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company's shares were listed on GEM of the Stock Exchange on 5 December 2017. 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 33/F, Times Tower, 391-407 Jaffe Road, Hong Kong.

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements of the Group for the nine months ended 30 September 2022 (the "**Consolidated Financial Results**") have been prepared in accordance with the accounting principles generally accepted in Hong Kong issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The Consolidated Financial Results should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance Cap.622.

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

Except as described below, the accounting policies and methods of computation used in the preparation of the Consolidated Financial Results are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2021.

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 period beginning on 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)
Amendment to HKFRS 3	Definition of a Business (amendments)
Amendment to Hong Kong Accounting Standards 16	Property, Plant and Equipment (amendments)
Amendment to HKFRS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments)
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (amendments)

The adoption of the above new standards, interpretation and amendments to standards did not have any significant financial impact on the Consolidated Financial Results.

Notes to the Condensed Consolidated Financial Statements

3 REVENUE

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

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operation of restaurants, recognised at a point in time	106,662	100,529	242,152	285,362
Catering management and consultancy services, recognised overtime	602	1,093	1,489	2,870
	107,264	101,622	243,641	288,232

4 OTHER GAINS AND INCOME, NET

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	4,164	–	11,244	5,125
Sundry income	963	26	4,885	968
	5,127	26	16,129	6,093

Notes to the Condensed Consolidated Financial Statements

5 OTHER OPERATING EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditor's remuneration	328	299	1,009	930
Advertising and promotion	130	205	431	646
Cleaning and laundry expenses	3,576	3,122	8,949	8,595
Credit card charges	1,589	1,635	3,648	4,752
Commission	874	545	2,341	1,653
Decoration, repairs and maintenance	890	631	2,653	1,771
Entertainment expenses	333	320	724	997
Legal and professional fees	2,199	646	4,999	2,343
Paper and related supplies	601	452	1,649	1,499
Printing expenses	449	333	890	1,027
Restaurant supplies and consumables	1,219	848	2,441	2,415
Miscellaneous	870	1,239	1,779	2,400
	13,058	10,275	31,513	29,028

6 FINANCE COSTS, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income				
Interest income	3	-	5	1
Finance costs				
Interest expenses on bank borrowings	(20)	(63)	(90)	(219)
Interest expenses on lease liabilities	(534)	(626)	(1,366)	(2,064)
	(554)	(689)	(1,456)	(2,283)
Finance costs, net	(551)	(689)	(1,451)	(2,282)

Notes to the Condensed Consolidated Financial Statements

7 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the nine months ended 30 September 2022.

8 DIVIDEND

No dividend has been paid or declared by the Company for the nine months ended 30 September 2022 (2021: nil).

9 EARNINGS/(LOSSES) PER SHARE

(a) Basic

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

	For the three months ended		For the nine months ended	
	30 September	2021	30 September	2021
	2022	(Unaudited)	2022	(Unaudited)
	(Unaudited)		(Unaudited)	
Profit/(loss) attributable to owners of the Company (HK\$'000)	6,521	2,277	(1,712)	9,452
Weighted average number of ordinary shares in issues (in thousands)	384,000	384,000	384,000	384,000
Basic earnings/(losses) per share (HK cents)	1.70	0.59	(0.45)	2.46

(b) Diluted

Diluted earnings/(losses) per share for the three months and nine months ended 30 September 2022 and 2021 were the same as the basic earnings/(losses) per share as there were no potential dilutive ordinary shares.

Management Discussion and Analysis

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

During the nine months ended 30 September 2022 (the “**Review Period**”), the Group had been principally engaged in operating full services restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghaiese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provides restaurant management and consultancy services in Hong Kong and the People’s Republic of China (the “**PRC**”).

INDUSTRY OVERVIEW

Since entering 2022, business of restaurants has been under renewed pressure due to the fifth wave of the Coronavirus Disease 2019 (the “**COVID-19**”) pandemic and the tightened social distancing measures in response. Certain measures had significant adverse impact on the operation of the restaurants and the business, especially the implementation of dine-in services ban from 6 p.m. to 4:59 a.m. of the next day and number of diners per table was capped at two, four and six in Types B, C and D mode of operation respectively during the period from 7 January 2022 to 23 February 2022 and further reduced the maximum number of diners per table to two regardless of the mode of operation until 20 April 2022. From 21 April 2022 onwards, the above-mentioned social distancing measures were adjusted to allow for gradual and orderly resumption including the extension of dine-in services for the dinner session to 0:00 a.m. and the maximum number of diners per table up to eight until the end of the Review Period. Certain of these measures were further relaxed subsequent to the Review Period in October 2022.

The outlook down the road depends critically on the developments of the local epidemic situation, the government policies implemented in relation to the social distancing measures and other related controls of social and economic activities. The Group will continue to monitor the developments closely and will be cautious in running our business.

BUSINESS REVIEW

Hong Kong

During the Review Period, the Group opened a new Shanghaiese restaurant under the trade name of “Modern Shanghai” in East Point City.

During the period from 7 January 2022 to 20 April 2022, the operations of the restaurants were greatly impacted as the dine-in services ban from 6 p.m. to 4:59 a.m. of the next day and the number of diners per table was capped according to the tightened social distancing measures in force. From 21 April 2022 onwards, the above-mentioned social distancing measures were adjusted to allow for gradual and orderly resumption including the extension of dine-in services for the dinner session to 0:00 a.m. and the maximum number of diners per table up to eight until the end of the Review Period.

As at 30 September 2022, the Group had a total of thirteen restaurants under five self-owned brands in Hong Kong, 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.

During the Review Period, two tenancy agreements have been signed by us for the renewal of:

- (a) an existing Thai cuisine restaurant (where our Mango Tree Restaurant is located in) in Elements, the expiry of lease had been extended from 1 September 2022 to 31 August 2024; and
- (b) an existing Shanghaiese cuisine restaurant (where our 10 Shanghai Restaurant is located in) in Lee Garden Two, the lease had been extended from 1 October 2022 to 30 September 2024.

Management Discussion and Analysis

The Company also entered into certain new tenancies during the Review Period to open new restaurants and to relocate certain of our existing restaurants for the expansion and upgrading purpose as detailed in the “Prospect” section below.

The PRC

As at 30 September 2022, the Group has a total of three invested restaurants in the PRC with minority stake investment in each of their respective operating company, including 24.9% equity interests in each of the respective operating company of the two invested restaurants, namely Guangzhou Mango Tree Food & Beverage Co. Ltd (廣州芒果樹餐飲有限公司) and Guangzhou Ten Shanghai Food & Beverage Co. Ltd (廣州十里弄餐飲有限公司), and 15.0% equity interests in the operating company of one invested restaurant, namely Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. (廣州芒果樹麗柏餐飲有限公司). We also provided one-off pre-opening consultancy services and restaurant management services to these restaurants.

As the outbreak of the COVID-19 was less serious in certain provinces in the PRC, the revenue of these restaurants was improved. However, the outlook down the road depends critically on the developments of the local epidemic situation and the government policies implemented with respect to different locations. The Group will continue to monitor the developments closely and will be cautious in running and expanding our PRC related business.

FINANCIAL REVIEW

Revenue

During the Review Period, approximately 99.4% of the Group’s revenue was generated from the operation of restaurants in Hong Kong and approximately 0.6% of the Group’s revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 September 2022, the Group was operating thirteen (2021: twelve) restaurants, of which one (2021: nil) restaurant was newly opened and no (2021: nil) restaurant was closed down for the Review Period in Hong Kong.

The revenue decreased by approximately 15.5% from approximately HK\$288.2 million for the nine months ended 30 September 2021 to approximately HK\$243.6 million for the nine months ended 30 September 2022. The decrease in revenue during the Review Period was mainly attributable to the fifth wave of COVID-19 outbreak and the implemented anti-epidemic measures; and among which, the dine-in services ban from 6 p.m. to 4:59 a.m. of the next day from 7 January 2022 to 20 April 2022 and the cap of two diners per table according to the tightened social distancing measures imposed by the Hong Kong government had a significant adverse impact on the financial performance. Such decrease has gradually slowed down since 21 April 2022 when the dine-in service for the dinner session was partially resumed and further relaxed by stages, coupled with the effect of the government’s consumption voucher scheme, which led to strong stimulating effect on spending and enhanced the Group’s revenue.

Management Discussion and Analysis

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

	For the nine months ended 30 September			
	2022		2021	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Shanghainese	77,218	31.9	78,585	27.5
Japanese	56,438	23.3	75,494	26.5
Thai	49,148	20.3	58,274	20.4
Vietnamese	30,546	12.6	39,482	13.8
Italian	28,802	11.9	33,527	11.8
Total	242,152	100.0	285,362	100.0

Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants slightly decreased by approximately HK\$1.4 million, or approximately 1.8%, from approximately HK\$78.6 million for the nine months ended 30 September 2021 to approximately HK\$77.2 million for the nine months ended 30 September 2022. The decrease in revenue was mainly due to the impact from dine-in services ban and the cap of two diners per table imposed to the catering business from 7 January 2022 to 20 April 2022 and netted off by the sales contribution from the newly opened restaurant at East Point City in late July 2022.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants decreased by approximately HK\$19.1 million, or approximately 25.3%, from approximately HK\$75.5 million for the nine months ended 30 September 2021 to approximately HK\$56.4 million for the nine months ended 30 September 2022. The substantial decrease was mainly attributable to the tightened social distancing measures mentioned above and followed by the partial relaxation in anti-epidemic measures in late April 2022, the plummeted sales revenue has been slowed down.

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants decreased by approximately HK\$9.2 million, or approximately 15.8%, from approximately HK\$58.3 million for the nine months ended 30 September 2021 to approximately HK\$49.1 million for the nine months ended 30 September 2022. The substantial decrease was mainly attributable to the tightened social distancing measures mentioned above and followed by the partial relaxation in anti-epidemic measures in late April 2022, the plummeted sales revenue has been slowed down.

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK\$9.0 million, or approximately 22.8%, from approximately HK\$39.5 million for the nine months ended 30 September 2021 to approximately HK\$30.5 million for the nine months ended 30 September 2022. The substantial decrease was mainly attributable to the tightened social distancing measures mentioned above and followed by the partial relaxation in anti-epidemic measures in late April 2022, the plummeted sales revenue has been slowed down.

Management Discussion and Analysis

Italian-style restaurant

The revenue generated from operation of Italian-style restaurant decreased by approximately HK\$4.7 million, or approximately 14.0%, from approximately HK\$33.5 million for the nine months ended 30 September 2021 to approximately HK\$28.8 million for the nine months ended 30 September 2022. The substantial decrease was mainly attributable to the tightened social distancing measures mentioned above and followed by the partial relaxation in anti-epidemic measures in late April 2022, the plummeted sales revenue has been slowed down.

Cost of inventories sold

The cost of inventories consumed mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants. The major food ingredients purchased by the Group include, but 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\$70.7 million and HK\$84.6 million for each of the nine months ended 30 September 2022 and 2021, respectively, representing approximately 29.2% and 29.6% respectively of the Group's total revenue generated from operation of restaurants for the corresponding period. The cost of inventories sold as a percentage of revenue decreased, mainly contributed by cost reduction measures followed by the drop in sales revenue.

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits, and were one of the largest components of the operating expenses of the Group. The staff costs increased from approximately HK\$90.5 million for the nine months ended 30 September 2021 to approximately HK\$96.8 million for the nine months ended 30 September 2022, representing an increase of approximately 7.0% in comparison. Such increase was mainly due to the additional labour forces for the new Modern Shanghai restaurant in East Point City, netted off by the cost reduction measures coped with the tightened social distancing measures implemented.

The Directors expect the costs will slightly increase if the economy of Hong Kong is showing steady improvement as COVID-19 outbreak is gradually put under control.

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

Depreciation and amortisation

Depreciation and amortisation of approximately HK\$43.2 million and HK\$56.6 million for the nine months ended 30 September 2022 and 2021, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle. The decrease of depreciation was contributed by impairment loss recognised in previous years and certain fully depreciated assets at our remaining restaurants compared to the corresponding period in 2021.

Rental expenses

The rental expenses for the nine months ended 30 September 2022 amounted to approximately HK\$4.9 million, representing a decrease of approximately 15.5% as compared with that of the nine months ended 30 September 2021 which amounted to approximately HK\$5.8 million. The decrease was due to the drop in revenue of our restaurants which led to a drop in the aggregate turnover rents incurred.

Management Discussion and Analysis

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 30 September 2022 and 2021, the total utility expenses amounted to approximately HK\$7.6 million and HK\$7.2 million, respectively.

Other operating expenses

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

The other operating expenses increased from approximately HK\$29.0 million for the nine months ended 30 September 2021 to approximately HK\$31.5 million for the nine months ended 30 September 2022, representing an increase of approximately 8.6%. The increase was mainly attributable to the portion in respect of the share transactions related legal and consultancy services expenses shared, which was netted off by the cost reduction savings resulted from the drop in the revenue.

Income tax expenses

The income tax expenses decreased from approximately HK\$1.6 million for nine months ended 30 September 2021 to approximately HK\$0.3 million for the nine months ended 30 September 2022.

Finance costs

The Group's finance costs decreased from approximately HK\$2.3 million for the nine months ended 30 September 2021 to approximately HK\$1.5 million for the nine months ended 30 September 2022.

Profit/(loss) for the period

The Group recorded a loss for the period of approximately HK\$1.2 million for the nine months ended 30 September 2022 as compared to a profit of approximately HK\$11.8 million for the corresponding period in 2021. The loss for the period included the government grants in the amount of approximately HK\$11.2 million (2021: HK\$5.1 million) received by the Group during the Review Period.

The loss was mainly attributable to the fifth wave of COVID-19 outbreak and the implemented anti-epidemic measures; and among which, the dine-in services ban from 6 p.m. to 4:59 a.m. of the next day from 7 January 2022 until 20 April 2022 and the cap of two diners per table according to the tightened social distancing measures imposed by the Hong Kong government had a significant adverse impact on the financial performance. Such decrease has gradually slowed down since 21 April 2022 when the dine-in service for the dinner session was partially resumed and further relaxed by stages, which coupled with the effect of the government's consumption voucher scheme, together led to strong stimulating effect on spending and enhanced the Group's revenue.

Management Discussion and Analysis

PROSPECT

Development and expansion of our restaurant network in Hong Kong

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.

Reference is made to the Company's announcement dated 7 September 2022, a wholly-owned subsidiary of the Company (as the tenant) entered into the tenancy agreement to rent the premises for a term of four years commencing from 1 December 2022 to 30 November 2026 (with the tenant's option to renew for a further term of two years from 1 December 2026 to 30 November 2028) for the opening of a new restaurant serving Japanese cuisine in HDH Centre in Causeway Bay. The new restaurant is scheduled to open in mid-December 2022.

References are made to the Company's announcement dated 9 September 2022 and the Company's circular dated 29 September 2022, a wholly-owned subsidiary of the Company (as the tenant) entered into the lease and licence agreement to rent the premises in Lee Garden Two for a term of approximately six years and four months from 8 October 2022 to 31 January 2029 for the relocation of our existing An Nam Restaurant and Gonpachi Restaurant in Lee Garden One prior to the early termination of the existing lease in January 2023. The relocation of these two restaurants is expected to be completed in early February 2023.

Reference is made to the Company's announcement dated 11 October 2022, a wholly-owned subsidiary of the Company entered into an offer to lease to rent the premises for a term of four years commencing from 20 January 2023 to 19 January 2027 (with the tenant's option to renew for a further term of two years to 19 January 2029) for the opening of a new restaurant serving Japanese cuisine under the trade name of "Gonpachi" in One Peking in Tsim Sha Tsui. The new restaurant is scheduled to open in mid-January 2023.

While taking into account the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres, latest available resources of the Group and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider upgrading our certain restaurants and opening new restaurants with different concepts or concepts with proven track records, lower capital expenditures and/or more favourable rental package. Currently, the Group is in the advanced stage of discussions with a few landlords regarding the leasing of certain units in shopping malls for restaurant operation.

Business outlook for restaurants in the coming months would hinge crucially on the developments of the local epidemic situation, the government policies implemented in relation to the social distancing measures and other related controls of social and economic activities.

Management Discussion and Analysis

Further develop our restaurant pre-opening consultancy and restaurant management 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 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, it is expected that there will be an increasing demand for restaurant consultancy services.

Meanwhile, in view of the above uncertainties, the industry is still facing 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 maximising the return to our investors.

Corporate Governance and Other Information

CHANGE OF THE BOARD; CHANGE OF CHAIRMAN OF THE BOARD; AND CHANGES IN COMPOSITION OF BOARD COMMITTEES

On 19 August 2022, the Board announced that with effect from 19 August 2022, Mr. Leung Chi Tien Steve resigned as the non-executive Director, the chairman of the Board (the “**Chairman**”) and the chairman of the nomination committee of the Board (the “**Nomination Committee**”); Mr. Kwan Wing Kuen Tino resigned as the executive Director and the vice-chairman; Ms. Chan Siu Wan resigned as the non-executive Director; Mr. How Sze Ming resigned as the independent non-executive Director, the chairman of the audit committee of the Board (the “**Audit Committee**”) and a member of the remuneration committee of the Board (the “**Remuneration Committee**”); Mr. Ng Wai Hung resigned as the independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee; and Mr. Chan Kam Kwan Jason resigned as the independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and the chairman of the Remuneration Committee.

The resignation of the aforesaid Directors (collectively, the “**Resigned Directors**”) was due to change in control of the Company after completion and the close of the share offer. Each of the Resigned Directors has confirmed that he/she has no disagreement with the Board and there are no matters in respect of his/her resignation that need to be brought to the attention of the shareholders of the Company (the “**Shareholders**”) or the Stock Exchange.

The Board further announces that with effect from 19 August 2022, Mr. Cai Weike has been appointed as the executive Director, the Chairman and the chairman of the Nomination Committee; Mr. Wong Chi Wing Kinson has been appointed as the executive Director; Mr. Chan Wai Fung has been appointed as the non-executive Director; Mr. Yim Hong Cheuk Foster has been appointed as the independent non-executive Director, the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee; Mr. Huen, Felix Ting Cheung has been appointed as the independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee; and Ms. Cheang Ana has been appointed as the independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee.

For details of the biographical details of the above-mentioned newly appointed Directors, please refer to the announcement of the Company dated 19 August 2022.

Corporate Governance and Other Information

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

As at 30 September 2022, 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 of Director	Capacity/ Nature of Interest	Number of Shares	Long/Short position	Approximate Percentage of Shareholding in the Company (%)
Cai Weike ("Mr. Cai")	Interest in controlled corporation (Note 1)	274,350,000	Long	71.45%

Note:

- (1) 274,350,000 shares were held by Real Hero Ventures Limited ("Real Hero") which is wholly and beneficially owned by Mr. Cai. Accordingly, Mr. Cai was deemed to be interested in all the shares held by Real Hero pursuant to the SFO.

Save as disclosed above, as at 30 September 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 September 2022, 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 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 (%)
Real Hero	Beneficial owner (Note 1)	274,350,000	Long	71.45%
Mr. Cai	Interest in controlled corporation (Note 1)	274,350,000	Long	71.45%
Zhang Meiyun ("Ms. Zhang")	Interest of spouse (Note 2)	274,350,000	Long	71.45%

Notes:

- (1) Real Hero is an investment holding company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Cai. Accordingly, Mr. Cai was deemed to be interested in all the shares held by Real Hero by virtue of the SFO.
- (2) Ms. Zhang is the spouse of Mr. Cai and was deemed to be interested in all the shares Mr. Cai was interested in by virtue of the SFO.

Save as disclosed above, as at 30 September 2022, 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.

Corporate Governance and Other Information

CHANGE OF CONTROLLING SHAREHOLDER AND THE OFFER

On 1 June 2022, Sino Explorer Limited, All Victory Global Limited, Mr. Kwan Wing Kuen Tino, P.S Hospitality Limited and Mr. Kwok Chi Po (collectively, the “**Vendors**”) and Real Hero entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Vendors conditionally agreed to sell, and Real Hero conditionally agreed to acquire, a total of 188,084,000 shares of the Company, representing approximately 48.98% of all the issued shares of the Company, at a total consideration of HK\$100,455,664.4 (equivalent to HK\$0.5341 per sale share).

Following the completion of the Sale and Purchase Agreement which took place on 22 June 2022, Real Hero became the controlling shareholder of the Company and as required under the Code on Takeovers and Mergers, a mandatory conditional cash offer was made by Silverbricks Securities Company Limited (“**Silverbricks Securities**”) for and on behalf of Real Hero to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by Real Hero and parties acting in concert with it) at HK\$0.5341 per offer share (the “**Offer**”).

On 13 July 2022, a composite offer and response document was jointly issued by Real Hero and the Company in respect of the Offer (the “**Composite Document**”). As disclosed in a joint announcement issued by the Company and Real Hero on 19 July 2022, the Offer became unconditional on the same day and the Offer will remain open for acceptance until 17 August 2022.

On 17 August 2022, Real Hero and the Company jointly announced that the Offer made by Silverbricks Securities for and on behalf of Real Hero was closed on Wednesday, 17 August 2022. The Offer has not been revised or extended. Real Hero had received valid acceptances in respect of a total of 86,266,000 offer shares under the Offer, representing approximately 22.47% of all the issued shares.

Immediately after the completion and prior to the commencement of the Offer, the Real Hero’s concert group was interested in a total of 188,084,000 shares, representing approximately 48.98% of the total issued shares of the Company.

Immediately after the close of the Offer, and taking into account the 86,266,000 acceptance shares, the Real Hero’s concert group is interested in an aggregate of 274,350,000 shares, representing approximately 71.45% of all the issued shares.

For details of the change of the controlling shareholder of the Company and the Offer, please refer to the joint announcements issued by Real Hero and the Company dated 1 June 2022, 10 June 2022, 22 June 2022, 13 July 2022, 19 July 2022, 4 August 2022 and 17 August 2022 and the Composite Document.

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

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

The Share Option Scheme will remain in force for a period of ten years commencing on 6 November 2017. For more details, please refer to the section headed “Statutory and General Information — Share Option Scheme” in Appendix IV of the Prospectus. The remaining life of the Share Option Scheme is approximately 5 years.

Up to 30 September 2022, no share option has been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS’ INTEREST IN COMPETING BUSINESS

Prior to being appointed to the Board as an executive Director and the Chairman of the Company, Mr. Cai Weike, our controlling Shareholder, had completely disposed of his interests in a private company which is principally engaged in the operation of restaurants and catering management.

Save for the above, 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 during the Review Period.

CORPORATE GOVERNANCE

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

Corporate Governance and Other Information

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

Pursuant to the requirements of the CG Code and the GEM Listing Rules, the Company has established an Audit Committee that comprises three independent non-executive Directors, namely Mr. Huen, Felix Ting Cheung (chairman of the Audit Committee), Mr. Yim Hong Cheuk Foster and Ms. Cheang Ana, all of whom were appointed on 19 August 2022.

The Audit Committee has reviewed the third quarterly results of the Group for the nine months ended 30 September 2022. The Audit Committee is of the view that the condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, sufficient disclosures have already been made.

The condensed consolidated financial results of the Group for the nine months ended 30 September 2022 are unaudited and have not been audited or reviewed by the Company's auditors.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the Company's announcement dated 11 October 2022, a wholly-owned subsidiary of the Company entered into the offer to lease to rent a premise for a term of four years commencing from 20 January 2023 to 19 January 2027 (with the tenant's option to renew for a further term of two years to 19 January 2029) for the opening of a new restaurant serving Japanese cuisine under the trade name of "Gonpachi" in One Peking in Tsim Sha Tsui. The new restaurant is scheduled to open in mid-January 2023.

DIVIDEND

The Board did not recommend the payment of any dividend for the nine months ended 30 September 2022 (2021: nil).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 30 September 2022.

Corporate Governance and Other Information

PUBLICATION OF THIRD QUARTERLY REPORT

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

By order of the Board of
1957 & Co. (Hospitality) Limited
Kwok Chi Po

Chief Executive Officer and Executive Director

Hong Kong, 7 November 2022

As of the date of this report, the executive Directors are Mr. Cai Weike, Mr. Kwok Chi Po, Mr. Wong Chi Wing Kinson and Mr. Lau Ming Fai; the non-executive Director is Mr. Chan Wai Fung; and the independent non-executive Directors are Mr. Yim Hong Cheuk Foster, Mr. Huen, Felix Ting Cheung and Ms. Cheang Ana.