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1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8495)

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTION
IN RELATION TO
RENEWAL OF LEASE AND LICENCE AGREEMENTS
AND REVISION OF ANNUAL CAPS**

RENEWAL OF LEASE AND LICENCE AGREEMENTS

On 4 June 2019, the duly executed New Lease and Licence Agreements in respect of the renewal of the lease agreement and licence agreement for the Location in Lee Garden One were received by the Tenant for an additional term of three years. Gonpachi Restaurant and An Nam Restaurant are currently operating at the Location.

IMPLICATIONS UNDER THE GEM LISTING RULES

Pursuant to HKFRS 16, as a result of the renewal of the lease agreement and licence agreement, the Group shall recognize an additional asset representing its right to use the Location in the amount of approximately HK\$27.6 million calculated with reference to the present value of aggregated lease payments (except for turnover rent) plus initial direct costs and estimate reinstatement cost with the lease as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the New Lease and Licence Agreements. As such, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

As the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the transaction contemplated under the New Lease and Licence Agreements based on the value of the right-of-use asset recognized by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the reporting and announcement requirements but exempt from shareholders' approval requirement. The Group has entered into two joint venture agreements with, among others, two indirectly wholly-owned subsidiaries of Hysan in respect of the formation of two joint venture companies to open and operate two restaurants offering Japanese and Shanghainese cuisine in Lee Garden Two, Causeway Bay. The two joint venture companies have been incorporated and are subsidiaries of the Company, 29% of each joint venture companies are owned by Hysan (through its relevant indirectly wholly-owned subsidiary). Therefore, Hysan Group (including the various landlords and licensor under the New Lease and Licence Agreements and the Existing Connected Leases and Licence Agreements) is a connected person of the Company at the subsidiary level. Accordingly, the transaction contemplated under the New Lease and Licence Agreements based on the value of the right-of-use asset recognized by the Group pursuant to HKFRS 16 also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

According to Rule 20.52 of the GEM Listing Rules, the payment of turnover rent and other charges to the Landlord under the New Lease and Licence Agreements constitutes a continuing connected transaction, the original annual caps for transactions contemplated under the Existing Connected Leases and Licence Agreements for the four years ending 31 December 2022 will not be sufficient and have to be revised. Given the counter party of the New Lease and License Agreements is a connected person of the Company at the subsidiary level, such continuing connected transaction would be subject to the announcement and the annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Particulars of the Transaction will also be included in the 2019 annual report of the Company.

Reference is made to the Prospectus in relation to the Existing Connected Leases and Licence Agreements.

RENEWAL OF LEASE AND LICENCE AGREEMENTS

On 4 June 2019, the duly executed New Lease and Licence Agreements in respect of the renewal of the lease agreement and license agreement for the Location in Lee Garden One were received by the Tenant. Gonpachi Restaurant and An Nam Restaurant are currently operating at the Location.

The principal terms of the New Lease and Licence Agreements are set out below:

The New Lease and Licence Agreements

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: *in respect of the lease agreement:*

4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong

in respect of the licence agreement:

certain area 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) *in respect of the lease agreement:*

- 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

in respect of the licence agreement:

a fixed license fee inclusive of operating charges and promotional levy

Basis for Determination of the Rentals and Other Information

The terms of the New Lease and Licence Agreements (including the rental) were determined after arm's length negotiations between the Landlord and the Tenant, with reference to the prevailing market rentals for properties of similar type, age and location. The aggregate value of consideration payable by the Tenant under the New Lease and Licence Agreements is approximately HK\$29.3 million, which is expected to be financed by the internal resources of the Group.

The Right-of-use Asset

Pursuant to HKFRS 16, as a result of the renewal of the lease agreement and licence agreement, the Group shall recognize an additional asset representing its right to use the Location. As such, the Transaction will be regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules. Based on preliminary estimation of the Company with reference to the fair rent letter issued by Cushman & Wakefield Limited, the value of the right-of-use asset to be recognised by the Company under the Transaction shall amount to approximately HK\$27.6 million, which is the present value of aggregated lease payments (except for turnover rent), plus initial direct costs and estimated reinstatement cost with the lease in accordance with HKFRS 16. Discount rate of approximately 4.19% per annum, which is equivalent to the Company's incremental borrowing rate during the entire term of the New Lease and Licence Agreements, is applied to compute the present value of aggregate lease payments under the Transaction.

EXISTING ANNUAL CAPS AND HISTORICAL FIGURES

As disclosed in the Prospectus, the existing annual caps for the maximum aggregate rental amount payable under Existing Connected Leases and Licence Agreements for each of the six years ended/ending 31 December 2022 (inclusive of rent/licence fee, promotional levy and operating charges but exclusive of rates and other outgoings) are as follows:

	For the year ended/ending 31 December					
	2017	2018	2019	2020	2021	2022
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	million	million	million	million	million	million
Rent, licence fees and other charges						
the Gonpachi and An Nam (Lee Garden) Lease	1.5	10.9	4.6	n/a	n/a	n/a
the New Ta-ke Lease (the "Ta-ke" lease)	1.0	7.8	7.8	7.9	8.2	8.2
the New Modern Shanghai Lease (the "10-Shanghai" lease)	<u>1.0</u>	<u>6.9</u>	<u>6.9</u>	<u>7.0</u>	<u>7.3</u>	<u>7.3</u>
Total	<u>3.5</u>	<u>25.6</u>	<u>19.3</u>	<u>14.9</u>	<u>15.5</u>	<u>15.5</u>
Historical amounts paid by the Group	<u>1.2</u>	<u>23.4</u>	<u>12.1*</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

* Only turnover rent for July 2019 has been included for the Gonpachi and An Nam (Lee Garden) lease.

The total amounts paid by the Group under the Existing Connected Leases and Licence Agreements from 1 January 2019 up to the date of this announcement and the transactions contemplated for the period commencing from 1 July 2019 and up to the date of this announcement under the New Lease and License Agreements have not exceeded the current annual cap for the year ending 31 December 2019.

REVISED ANNUAL CAPS

Due to the renewal of the lease agreement and license agreement for the Location, the original annual caps for transactions contemplated under the Existing Connected Leases and Licence Agreements for the four years ending 31 December 2022 will not be sufficient and have to be revised.

Taking into account the terms of and based on the New Lease and Licence Agreements and the Existing Connected Leases and Licence Agreements, the historical revenue derived from Gonpachi Restaurant and An Nam Restaurant and the terms of other Existing Connected Leases and Licence Agreements, the Company estimates that the revised annual caps for each of the four years ending 31 December 2022 (inclusive of rent/licence fee, promotional levy, operating charges and estimated turnover rent but exclusive of rates and other outgoings) are as follows:

	For the year ending 31 December			
	2019	2020	2021	2022
	HK\$	HK\$	HK\$	HK\$
	million	million	million	million
Rent, licence fees and other charges				
the Gonpachi and An Nam (Lee Garden) Lease	0.3	0.6	0.6	0.3
the Ta-ke Lease	7.8	7.9	8.2	8.2
the 10-Shanghai Lease	6.9	7.0	7.3	7.3
Total	<u>15.0</u>	<u>15.5</u>	<u>16.1</u>	<u>15.8</u>

Basis of the revised annual caps

The revised annual caps have been estimated primarily based on the annual rent, licence fee and other charges (inclusive of rent/licence fee, promotional levy and operating charges but exclusive of rates and other outgoings) payable by the Company under the Existing Connected Leases and Licence Agreements and the turnover rent and other charges payable by the Company under the New Lease and Licence Agreements. Our Directors consider that the revised annual caps have been reasonably determined pursuant to Rule 20.51(2) of the GEM Listing Rules.

REASONS FOR AND BENEFITS OF THE NEW LEASE AND LICENCE AGREEMENTS

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 license agreement for the Location will enable the Company to secure the Location for Gonpachi Restaurant and An Nam Restaurant. After renewal of the lease agreement and license agreement for the Location, the Board considers that the maximum aggregate rental amount payable for lease of properties from Hysan Group and/or its associates for the four years ending 31 December 2022 would exceed the existing annual caps and hence the revision of annual caps is necessary.

The Directors (including the independent non-executive Directors), after taking into account the fair rent letter issued by Cushman & Wakefield Limited, consider that the Transaction is in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and that the revised annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors have a material interest in the Transaction which required any of the Directors to abstain from voting on the resolutions in relation to the Transaction. In respect of the effective of HKFRS 16, the Group has engaged certain professional parties to provide advice on the GEM Listing Rules implication and compliance requirements regarding the discloseable and connected transaction, continuing connected transaction in relation to the renewal of lease and licence agreements (including, but not limited to, the revision of annual caps according to the applicable GEM Listing Rules and applicable references, together with the issuance of fair rent letter).

Going forward, (i) we will request the Landlord to provide a scanned copy of the signed and dated agreement to us prior to delivering the same for stamping, so that we can make disclosure to the Shareholders as appropriate in accordance with the GEM Listing Rules; and (ii) we will consult our compliance adviser and provide them the terms of the transactions to be entered into by us so that guidance can be sought in respect of our obligations under the GEM Listing Rules.

INFORMATION OF THE GROUP AND PERFECT WIN PROPERTIES LIMITED

The Group is principally engaged in the operation of full-service restaurants under various brands and is dedicated to serving quality Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provides catering management and consultancy services in Hong Kong and the PRC.

Perfect Win Properties Limited, an indirectly wholly-owned subsidiary of Hysan, is principally engaged in property investment.

LISTING RULES IMPLICATION

Pursuant to HKFRS 16, as a result of the renewal of the lease agreement and licence agreement, the Group shall recognize an additional asset representing its right to use the Location in the amount of approximately HK\$27.6 million calculated with reference to the present value of aggregated lease payments (except for turnover rent) plus initial direct costs and estimate reinstatement cost with the lease as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of the New Lease and Licence Agreements. As such, the Transaction is regarded as an acquisition of asset by the Group for the purpose of the GEM Listing Rules.

As the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the transaction contemplated under the New Lease and Licence Agreements based on the value of the right-of-use asset recognized by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is accordingly subject to the reporting and announcement requirements but exempt from shareholders' approval requirement. The Group has entered into two joint venture agreements with, among others, two indirectly wholly-owned subsidiaries of Hysan in respect of the formation of two joint venture companies to open and operate two restaurants offering Japanese and Shanghainese cuisine in Lee Garden Two, Causeway Bay. The two joint venture companies have been incorporated and are subsidiaries of the Company, 29% of each joint venture companies are owned by Hysan (through its relevant indirectly wholly-owned subsidiary). Therefore, Hysan Group (including the various landlords and licensor under the New Lease and Licence Agreements and the Existing Connected Leases and Licence Agreements) is a connected person of the Company at the subsidiary level. Accordingly, the transaction contemplated under the New Lease and Licence Agreements based on the value of the right-of-use asset recognized by the Group pursuant to HKFRS 16 also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

According to Rule 20.52 of the GEM Listing Rules, the payment of turnover rent and other charges to the Landlord under the New Lease and Licence Agreements constitutes a continuing connected transaction, the original annual caps for transactions contemplated under the Existing Connected Leases and Licence Agreements for the four years ending 31 December 2022 will not be sufficient and have to be revised. Given the counter party of the New Lease and License Agreements is a connected person of the Company at the subsidiary level, such continuing connected transactions would be subject to the announcement and the annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Particulars of the Transaction will also be included in the 2019 annual report of the Company.

DEFINITIONS

Unless the context otherwise requires, terms used in this announcement shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under GEM Listing Rules
“Board”	the board of Directors
“Company”	1957 & Co. (Hospitality) Limited, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on GEM (stock code: 8495)
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

“Existing Connected Leases and Licence Agreements”	three leases and one licence agreement with Hysan Group in respect of the lease or licence of certain properties or area from Hysan Group to the Group for restaurant operations, details of which are set out in the Prospectus under “Connected Leases and Licence Agreements with Hysan Group”
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hysan”	Hysan Development Company Limited, a company incorporated in Hong Kong on 20 October 1970 and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00014), is a joint venture partner of the Company and connected person at the subsidiary level
“Hysan Group”	Hysan and its subsidiaries from time to time, each of which is a connected person of the Company at the subsidiary level
“Landlord”	Perfect Win Properties Limited, an indirectly wholly-owned subsidiary of Hysan
“Location”	in respect of the lease agreement: 4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong in respect of the licence agreement: certain area on 4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
“New Lease and Licence Agreements”	the lease agreement and licence agreement dated on 30 April 2019 and received by the Tenant on 4 June 2019 in relation to the leasing and licencing of the Location
“Prospectus”	the prospectus of the Company dated 23 November 2017
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenant”	1957 & Co. (Management) Limited, an indirectly wholly-owned subsidiary of the Company
“Transaction”	the leasing and licencing of the Location by the Tenant under the terms set out in the New Lease and Licence Agreements
“%”	per cent

By Order of the Board
1957 & Co. (Hospitality) Limited
Kwok Chi Po
Executive Director

Hong Kong, 16 August 2019

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

This announcement, for which the Directors 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 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the website of GEM of the Stock Exchange at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.1957.com.hk.