



# 1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

## Interim Report 2022



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

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

# Financial Highlights

During the six months ended 30 June 2022:

- the Group recorded unaudited revenue of approximately HK\$136.4 million (2021: HK\$186.6 million), representing a decrease of approximately 26.9% as compared to the corresponding period ended 30 June 2021;
- the Group received the government grants in the amount of approximately HK\$7.1 million (2021: HK\$5.1 million);
- the Group recorded an unaudited adjusted loss before tax and government grants of approximately HK\$15.8 million (2021: adjusted profit of HK\$4.7 million); and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$8.2 million (2021: profit of HK\$7.2 million).

During the three months ended 30 June 2022:

- the Group recorded unaudited revenue of approximately HK\$91.9 million (2021: HK\$105.4 million), representing a decrease of 12.8% as compared to the corresponding period ended 30 June 2021;
- the Group received the government grants in the amount of approximately HK\$4.9 million (2021: HK\$0.7 million);
- the Group recorded an unaudited adjusted profit before tax and government grants of approximately HK\$3.6 million (2021: HK\$9.2 million); and
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$6.7 million (2021: HK\$7.4 million).

# Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2022

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

The Directors of 1957 & Co. (Hospitality) Limited are pleased to announce the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2022 (the “**Three-Month Review Period**” and “**Six-Month Review Period**”, respectively), together with the unaudited comparative figures for the corresponding periods in 2021, as follows:

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2022	2021	2022	2021
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	91,930	105,356	136,377	186,610
Other gains and income, net	5	5,694	1,066	11,002	6,067
Cost of inventories sold		(26,669)	(30,324)	(40,989)	(54,931)
Employee benefit expenses		(32,062)	(31,290)	(58,475)	(58,122)
Depreciation, amortisation and impairment		(13,278)	(18,600)	(26,818)	(37,312)
Royalty fees		(1,383)	(1,640)	(1,987)	(2,857)
Rental expenses		(2,130)	(2,127)	(3,134)	(3,922)
Utilities		(2,432)	(2,491)	(4,527)	(4,677)
Other operating expenses		(10,353)	(8,866)	(18,455)	(18,753)
<b>Operating profit/(loss)</b>		<b>9,317</b>	<b>11,084</b>	<b>(7,006)</b>	<b>12,103</b>
Finance income		2	1	2	1
Finance costs		(398)	(733)	(902)	(1,594)
Finance costs, net	6	(396)	(732)	(900)	(1,593)
Share of losses of associates		(412)	(499)	(750)	(701)
<b>Profit/(loss) before income tax</b>		<b>8,509</b>	<b>9,853</b>	<b>(8,656)</b>	<b>9,809</b>
Income tax expense	7	(54)	(937)	(54)	(1,026)
<b>Profit/(loss) for the period</b>		<b>8,455</b>	<b>8,916</b>	<b>(8,710)</b>	<b>8,783</b>
<b>Profit/(loss) for the period attributable to:</b>					
— Owners of the Company		6,699	7,431	(8,233)	7,175
— Non-controlling interests		1,756	1,485	(477)	1,608
		<b>8,455</b>	<b>8,916</b>	<b>(8,710)</b>	<b>8,783</b>
<b>Earnings/(losses) per share attributable to owners of the Company for the period (expressed in HK cents per share)</b>					
— Basic and diluted	9	1.74	1.94	(2.14)	1.87

# Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2022

	For the three months ended		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Profit/(loss) for the period</b>	<b>8,455</b>	8,916	<b>(8,710)</b>	8,783
<b>Other comprehensive (loss)/income</b>				
<i>Items that may be reclassified to profit or loss</i>				
— Currency translation differences	<b>(117)</b>	537	<b>(93)</b>	564
— Share of other comprehensive income of associates accounted for using the equity method	<b>(84)</b>	—	<b>(70)</b>	—
<b>Total comprehensive income/(loss) for the period</b>	<b>8,254</b>	9,453	<b>(8,873)</b>	9,347
<b>Total comprehensive income/(loss) for the period attributable to:</b>				
— Owners of the Company	<b>6,498</b>	7,926	<b>(8,396)</b>	7,687
— Non-controlling interests	<b>1,756</b>	1,527	<b>(477)</b>	1,660
	<b>8,254</b>	9,453	<b>(8,873)</b>	9,347

# Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	49,486	70,468
Intangible assets	11	875	984
Deposits		9,830	3,439
Interest in associates	12	1,286	2,105
Deferred tax assets		10,756	10,756
		<b>72,233</b>	87,752
<b>Current assets</b>			
Inventories		2,181	2,394
Trade receivables	13	7,302	6,614
Prepayments, deposits and other receivables	14	19,411	7,309
Amounts due from an associate		114	102
Tax recoverable		1,073	392
Pledged bank deposits		7,037	7,036
Cash and cash equivalents		67,818	94,381
		<b>104,936</b>	118,228
<b>Total assets</b>		<b>177,169</b>	205,980
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	15	38	38
Share premium	15	100,980	100,980
Capital reserve		(2,983)	(2,983)
Exchange reserve		(188)	(25)
Accumulated losses		(40,593)	(32,360)
		<b>57,254</b>	65,650
Non-controlling interests		<b>6,740</b>	7,217
<b>Total equity</b>		<b>63,994</b>	72,867

# Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Note	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		4,047	18,280
Provision for reinstatement costs		500	500
		<b>4,547</b>	18,780
<b>Current liabilities</b>			
Trade payables	16	19,639	21,406
Accruals and other payables		29,656	27,208
Lease liabilities		45,132	49,053
Contract liabilities		1,247	1,196
Income tax payables		2,394	2,038
Loans from non-controlling shareholders		7,600	7,600
Bank borrowings	17	2,960	5,832
		<b>108,628</b>	114,333
<b>Total liabilities</b>		<b>113,175</b>	133,113
<b>Total equity and liabilities</b>		<b>177,169</b>	205,980

# Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2022

	Attributable to the owners of the Company						Non-controlling interest HK\$'000	Total equity HK\$'000
	Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total 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	–	–	–	–	7,175	7,175	1,608	8,783
Other comprehensive income								
Currency translation differences	–	–	–	512	–	512	52	564
Total comprehensive income	–	–	–	512	7,175	7,687	1,660	9,347
Balance at 30 June 2021	38	100,980	(2,983)	326	(38,350)	60,011	5,710	65,721
<b>(Unaudited)</b>								
<b>As at 1 January 2022</b>	<b>38</b>	<b>100,980</b>	<b>(2,983)</b>	<b>(25)</b>	<b>(32,360)</b>	<b>65,650</b>	<b>7,217</b>	<b>72,867</b>
<b>Comprehensive loss</b>								
Loss and total comprehensive loss for the period	–	–	–	–	(8,233)	(8,233)	(477)	(8,710)
<b>Other comprehensive loss</b>								
Currency translation differences	–	–	–	(93)	–	(93)	–	(93)
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	(70)	–	(70)	–	(70)
<b>Total comprehensive loss</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(163)</b>	<b>(8,233)</b>	<b>(8,396)</b>	<b>(477)</b>	<b>(8,873)</b>
<b>Balance at 30 June 2022</b>	<b>38</b>	<b>100,980</b>	<b>(2,983)</b>	<b>(188)</b>	<b>(40,593)</b>	<b>57,254</b>	<b>6,740</b>	<b>63,994</b>



# Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Cash flow from operating activities</b>		
(Loss)/profit before income tax	(8,656)	9,809
Adjustments for:		
— Depreciation and amortisation	26,818	37,312
— Share of losses of associates	750	701
— Finance income	(2)	(1)
— Finance costs	902	1,594
<b>Operating cash flows before changes in working capital</b>	<b>19,812</b>	<b>49,415</b>
Changes in working capital:		
— Inventories	213	92
— Trade receivables, prepayment, deposit and other receivables	(19,181)	(3,722)
— Trade and other payables	681	4,459
— Contract liabilities	51	418
— Amount due from/to related companies	(12)	—
Cash generated from operations	1,564	50,662
Interest paid	(902)	(1,594)
Hong Kong profits tax (paid)/refunded	(379)	253
<b>Net cash generated from operating activities</b>	<b>283</b>	<b>49,321</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(114)	(146)
Interest received	2	1
<b>Net cash used in investing activities</b>	<b>(112)</b>	<b>(145)</b>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(2,873)	(2,786)
Payment of lease liabilities	(23,767)	(31,567)
<b>Net cash used in financing activities</b>	<b>(26,640)</b>	<b>(34,353)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(26,469)</b>	<b>14,823</b>
Cash and cash equivalents at beginning of the period	94,381	64,712
Effect of foreign exchange rate changes	(94)	(25)
<b>Cash and cash equivalents at end of the period</b>	<b>67,818</b>	<b>79,510</b>

# Notes to the Condensed Consolidated Financial Statements

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 February 2016 as an exempted company with limited liability under Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is 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 interim financial statements of the Group for the six months ended 30 June 2022 (the “**2022 Interim Financial Statements**”) have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The 2022 Interim Financial Statements 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**”).

The 2022 Interim Financial Statements 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 2022 Interim Financial Statements 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 HKAS 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 these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 3 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 (loss)/profit, which is a measure of adjusted (loss)/profit before income tax. The adjusted (loss)/profit before income tax is measured consistently with the Group’s (loss)/profit before income tax except that other gains and income, finance income, finance cost (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.

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

### Segment revenue and result

Six months ended 30 June 2022

	Operation of restaurants HK\$'000 (Unaudited)	Catering management and consultancy services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Total segment revenue	135,490	9,105	144,595
Inter-segment revenue	–	(8,218)	(8,218)
<b>Revenue from external customers</b>	<b>135,490</b>	<b>887</b>	<b>136,377</b>
<b>Result</b>			
Segment (loss)/profit	(7,514)	882	(6,632)
Other gains and income, net			11,002
Unallocated staff costs			(9,757)
Unallocated depreciation and amortisation			(1,445)
Unallocated utilities and consumables			(13)
Unallocated other expenses			(1,061)
Share of losses of associates			(750)
Loss before income tax			(8,656)
<b>Other segment items</b>			
Depreciation and amortisation	(25,373)	–	(25,373)
Finance income	2	–	2
Finance costs	(876)	(26)	(902)

# Notes to the Condensed Consolidated Financial Statements

## 3 SEGMENT INFORMATION (CONTINUED)

### Segment revenue and result (Continued)

Six months ended 30 June 2021

	Operation of restaurants HK\$'000 (Unaudited)	Catering management and consultancy services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Total segment revenue	184,833	12,908	197,741
Inter-segment revenue	–	(11,131)	(11,131)
<b>Revenue from external customers</b>	<b>184,833</b>	<b>1,777</b>	<b>186,610</b>
<b>Result</b>			
Segment profit	12,549	1,652	14,201
Other income and losses, net			6,067
Unallocated staff costs			(7,908)
Unallocated depreciation and amortisation			(767)
Unallocated utilities and consumables			(7)
Unallocated other expenses			(1,076)
Share of losses of associates			(701)
Profit before income tax			9,809
<b>Other segment items</b>			
Depreciation and amortisation	(36,545)	–	(36,545)
Finance income	1	–	1
Finance costs	(1,587)	(7)	(1,594)

### Information about major customers

There are no single external customers who contributed to more than 10% of the revenue of the Group during the six months ended 30 June 2022 (2021: same).

# Notes to the Condensed Consolidated Financial Statements

## 3 SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

At 30 June 2022

	Operation of restaurants HK\$'000 (Unaudited)	Catering management and consultancy services HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	216,265	65,298	4,175	(109,855)	175,883
Interest in associates	–	–	1,286	–	1,286
	216,265	65,298	5,461	(109,855)	177,169
Segment liabilities	169,833	50,592	2,605	(109,855)	113,175

At 31 December 2021

	Operation of restaurants HK\$'000 (Audited)	Catering management and consultancy services HK\$'000 (Audited)	Unallocated HK\$'000 (Audited)	Elimination HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	226,943	59,670	12,855	(95,593)	203,875
Interest in associates	–	–	2,105	–	2,105
	226,943	59,670	14,960	(95,593)	205,980
Segment liabilities	179,668	43,412	5,626	(95,593)	133,113

### 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 30 June 2022 and 31 December 2021. Accordingly, no analysis by geographical segment is provided.

# Notes to the Condensed Consolidated Financial Statements

## 4 REVENUE

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

	For the three months ended 30 June		For the six months ended 30 June	
	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	91,458	104,409	135,490	184,833
Catering management and consultancy services, recognised overtime	472	947	887	1,777
	91,930	105,356	136,377	186,610

## 5 OTHER GAINS AND INCOME, NET

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	4,880	700	7,080	5,125
Sundry income	814	366	3,922	942
	5,694	1,066	11,002	6,067

## 6 FINANCE COSTS, NET

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Finance income</b>				
Interest income	2	1	2	1
<b>Finance costs</b>				
Interest expenses on bank borrowings	(30)	(68)	(70)	(156)
Interest expenses on lease liabilities	(368)	(665)	(832)	(1,438)
	(398)	(733)	(902)	(1,594)
Finance costs, net	(396)	(732)	(900)	(1,593)

# 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 six months ended 30 June 2022.

## 8 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2022.

## 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 30 June		For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	<b>6,699</b>	7,431	<b>(8,233)</b>	7,175
Weighted average number of ordinary shares in issues (in thousands)	<b>384,000</b>	384,000	<b>384,000</b>	384,000
Basic earnings/(losses) per share (HK cents)	<b>1.74</b>	1.94	<b>(2.14)</b>	1.87

### (b) Diluted

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

# Notes to the Condensed Consolidated Financial Statements

## 10 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 31 December 2021</b>							
<b>(Audited)</b>							
Cost	392,701	117,255	9,928	17,818	2,760	379	540,841
Accumulated depreciation and impairment	(335,883)	(106,776)	(8,658)	(16,439)	(2,599)	(18)	(470,373)
Net book amount	56,818	10,479	1,270	1,379	161	361	70,468
<b>Six months ended</b>							
<b>30 June 2022</b>							
<b>(Unaudited)</b>							
Opening net book amount	56,818	10,479	1,270	1,379	161	361	70,468
Additions	10,562	21	–	31	62	–	10,676
Lease modification	(4,949)	–	–	–	–	–	(4,949)
Depreciation	(21,357)	(4,452)	(284)	(525)	(58)	(33)	(26,709)
Closing net book amount	41,074	6,048	986	885	165	328	49,486
<b>At 30 June 2022</b>							
<b>(Unaudited)</b>							
Cost	398,314	117,276	9,928	17,849	2,822	379	546,568
Accumulated depreciation	(357,240)	(111,228)	(8,942)	(16,964)	(2,657)	(51)	(497,082)
Net book amount	41,074	6,048	986	885	165	328	49,486



# Notes to the Condensed Consolidated Financial Statements

## 11 INTANGIBLE ASSETS

	HK\$'000
<b>At 31 December 2021 (Audited)</b>	
Cost	2,112
Accumulated amortisation	(1,128)
	<hr/>
Net book amount	984
	<hr/>
<b>Six months ended 30 June 2022 (Unaudited)</b>	
Opening net book amount	984
Amortisation charges	(109)
	<hr/>
Net book amount	875
	<hr/>
<b>At 30 June 2022 (Unaudited)</b>	
Cost	2,112
Accumulated amortisation and impairment	(1,237)
	<hr/>
Net book amount	875
	<hr/>

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.

# Notes to the Condensed Consolidated Financial Statements

## 12 INTEREST IN ASSOCIATES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Investment in associates	1,286	2,105

Movement of interest in associates during the six months ended 30 June 2022 and year ended 31 December 2021 are analysed as below:

	Six months ended 30 June 2022 HK\$'000 (Unaudited)	Year ended 31 December 2021 HK\$'000 (Audited)
At beginning of period	2,105	2,935
Share of losses of associates	(750)	(909)
Currency translation difference, net	(69)	79
At end of period	1,286	2,105

## 13 TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date, is as follows:

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
1 to 30 days	2,296	2,097
31 to 60 days	1,594	965
61 to 90 days	624	675
Over 90 days	2,788	2,877
	7,302	6,614

# Notes to the Condensed Consolidated Financial Statements

## 14 PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

The amount as at 30 June 2022 represented mainly the capital expenditures related to advance payment and deposits incurred for the new Modern Shanghai restaurant located at East Point City which the new restaurant commenced its business operation on 12 July 2022.

## 15 SHARE CAPITAL

	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 1 January 2021, 30 June 2021,			
1 January 2022 and 30 June 2022	3,800,000,000	380	–
<b>Issued and fully paid:</b>			
At 30 June 2021, 1 January 2022 and 30 June 2022	384,000,000	38	100,980

## 16 TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
1 to 30 days	9,723	11,203
31 to 60 days	9,664	9,982
61 to 90 days	4	7
Over 90 days	248	214
	<b>19,639</b>	21,406

# Notes to the Condensed Consolidated Financial Statements

## 17 BANK BORROWINGS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
<b>Current</b>		
Bank borrowings	2,960	5,832

As at 30 June 2022, the Group's bank borrowings were secured by corporate guarantee given by the Company (31 December 2021: same) and pledged bank deposits of HK\$5,027,000 (31 December 2021: HK\$5,026,000).

The weighted average effective interest rates of the bank borrowings as at 30 June 2022 was 2.9% per annum (31 December 2021: 3.0% per annum).

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Within 1 year	2,960	4,968
Between 1 and 2 years	–	864
	2,960	5,832

# Notes to the Condensed Consolidated Financial Statements

## 18 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Management fee (Note (a))		
— Guangzhou Mango Tree Food & Beverage Co. Ltd.	289	288
— Guangzhou Ten Shanghai Food & Beverage Co. Ltd.	289	288
— Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd.	217	216
Lease payment (Note (b))		
— Perfect Win Properties Limited	4,152	5,385
— Barrowgate Limited	6,649	7,607

Notes:

- (a) Management fee is charged in accordance with the agreement entered into between the relevant parties.
- (b) Lease payment is charged in accordance with the agreement entered into between the relevant parties.

# 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 Six-Month Review Period, the Group had been principally engaged in operating full services restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provided 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 abovementioned 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.

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.

## BUSINESS REVIEW

### Hong Kong

During the Six-Month Review Period, the Group did not open any new restaurant in Hong Kong.

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 abovementioned 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.

As at 30 June 2022, the Group had a total of twelve 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 Six-Month Review Period, none of our restaurants has undergone significant renovation.

# Management Discussion and Analysis

## The PRC

As at 30 June 2022, the Group had 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 becoming serious in certain provinces in the PRC, the revenue of these restaurants was also greatly affected. However, the outlook down the road depends critically on how the situation of the COVID-19 infection will evolve in the PRC. The Group will continue to monitor the developments closely and will be cautious in running and expanding our PRC related business.

## FINANCIAL REVIEW

### Revenue

During the Six-Month Review Period, approximately 99.3% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.7% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 June 2022, the Group was operating twelve (2021: same) restaurants, of which no (2021: no) restaurant was newly opened and no (2021: no) restaurant was closed down during the Six-Month Review Period in Hong Kong.

The revenue decreased by approximately 26.9% from approximately HK\$186.6 million for the six months ended 30 June 2021 to approximately HK\$136.4 million for the six months ended 30 June 2022 as compared to the respective corresponding period in 2021. The significant decrease in revenue during the Six-Month 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 an 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's restaurants served mainly five different cuisines during the Six-Month 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 six months ended 30 June			
	2022		2021	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Shanghainese	40,205	29.7	50,153	27.1
Japanese	33,653	24.9	50,104	27.1
Thai	27,517	20.3	36,431	19.7
Vietnamese	16,783	12.4	25,044	13.6
Italian	17,332	12.7	23,101	12.5
Total	135,490	100.0	184,833	100.0

## Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants decreased by approximately HK\$10.0 million, or approximately 19.9%, from approximately HK\$50.2 million for the six months ended 30 June 2021 to approximately HK\$40.2 million for the six months ended 30 June 2022. The substantial 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 subsequent partially resumed and further relaxed by stages, coupled with the effect of the government's consumption vouchers scheme, the disastrously drop in sales revenue has ceased from late April 2022.

## Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants decreased by approximately HK\$16.4 million, or approximately 32.7%, from approximately HK\$50.1 million for the six months ended 30 June 2021 to approximately HK\$33.7 million for the six months ended 30 June 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\$8.9 million, or approximately 24.5%, from approximately HK\$36.4 million for the six months ended 30 June 2021 to approximately HK\$27.5 million for the six months ended 30 June 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

## **Vietnamese-style restaurants**

The revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK\$8.2 million, or approximately 32.8%, from approximately HK\$25.0 million for the six months ended 30 June 2021 to approximately HK\$16.8 million for the six months ended 30 June 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.

## **Italian-style restaurant**

The revenue generated from operation of Italian-style restaurant decreased by approximately HK\$5.8 million, or approximately 25.1%, from approximately HK\$23.1 million for the six months ended 30 June 2021 to approximately HK\$17.3 million for the six months ended 30 June 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\$41.0 million and HK\$54.9 million for each of the six months ended 30 June 2022 and 2021, respectively, representing approximately 30.3% and 29.7% of the Group's total revenue generated from operation of restaurants for the corresponding periods. In order to stimulate the sales revenue, we have launched a lot of promotions or discount offers to attract customers flow 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 increased from approximately HK\$58.1 million for the six months ended 30 June 2021 to approximately HK\$58.5 million for the six months ended 30 June 2022, representing an increase of approximately 0.7% in comparison. The slight increase in staff cost was mainly due to the additional labour forces required net off by the cost reduction measures coped with the tightened social distancing measures implemented.

The Directors expect the staff costs will remain more stable and might 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 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\$37.3 million and HK\$26.8 million for the six months ended 30 June 2021 and 2022, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle. The decrease in such expenses was mainly contributed by impairment loss recognised in previous year.

The depreciation charged on the right-of-use assets amounted to approximately HK\$27.6 million and HK\$21.4 million for the six months ended 30 June 2021 and 2022, 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 between one 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\$7.9 million and HK\$4.5 million for the six months ended 30 June 2021 and 2022, respectively. The depreciation of the leasehold improvements was charged on a straight-line basis over the shorter of five years or the remaining lease terms. 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.

## Rental expenses

The rental expenses for the six months ended 30 June 2022 amounted to approximately HK\$3.1 million, representing a decrease of approximately 20.5% as compared with that for the six months ended 30 June 2021 which amounted to approximately HK\$3.9 million. The decrease was due to the drop in revenue of our restaurants which led to a drop in the aggregate turnover rents incurred.

## Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the six months ended 30 June 2022 and 2021, the total utility amounted to approximately HK\$4.5 million and HK\$4.7 million, respectively.

# Management Discussion and Analysis

## Other operating expenses

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

The other operating expenses decreased from approximately HK\$18.8 million for the six months ended 30 June 2021 to approximately HK\$18.5 million for the six months ended 30 June 2022, representing a slight decrease of approximately 1.6%. This was mainly attributable to the cost reduction measures resulted from the drop in sales revenue.

## Income tax expenses

The income tax expenses decreased from approximately HK\$1.0 million for six months ended 30 June 2021 to approximately HK\$0.1 million for the six months ended 30 June 2022.

## Finance costs

The Group's finance costs decreased from approximately HK\$1.6 million for the six months ended 30 June 2021 to approximately HK\$0.9 million for the six months ended 30 June 2022.

## (Loss)/profit for the period

The Group recorded a loss for the period of approximately HK\$8.7 million for the six months ended 30 June 2022 as compared to a profit of approximately HK\$8.8 million for the corresponding period in 2021. The loss for the period was net off by the government grants received by the Group in the amount of approximately HK\$7.1 million during the Six-Month Review Period (2021: HK\$5.1 million).

The loss was due to the significant decrease in revenue during the Six-Month Review Period which 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 an 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

## Liquidity and Financial Resources

### Capital structure

There was no change in the capital structure of the Group during the Six-Month Review Period.

### Cash position

As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately HK\$67.8 million (31 December 2021: HK\$94.4 million), which were mainly denominated in Hong Kong dollar, representing a decrease of approximately 28.2% as compared to that as at 31 December 2021. The decrease was a reduction of net cash inflow from operations followed by the significant drop in the revenue especially during the period from 7 January 2022 until 20 April 2022 which was mainly attributable to the fifth wave of COVID-19 outbreak resulted in the implemented anti-epidemic measures and the prepayment of capital expenditure incurred for the new Modern Shanghai restaurant located at East Point City.

### Borrowings

As at 30 June 2022, the total borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$3.0 million (31 December 2021: HK\$5.8 million) that bear the weighted average of floating interest rates of approximately 2.9% per annum as at 30 June 2022. No financial instrument was being used for interest rate hedging purpose.

Save as disclosed, the Group did not have other borrowings for the six months ended 30 June 2022.

### Pledge

As at 30 June 2022, 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 (31 December 2021: HK\$7.0 million).

### Gearing ratio

As at 30 June 2022, the gearing ratio of the Group was approximately 16.5% (2021: 18.4%). The decrease was attributable to the repayment of bank borrowings during the Six-Month Review Period. The gearing ratio is calculated based on the total borrowings, which include bank borrowings and loans from non-controlling shareholders, divided by the total equity of the Company at the end of the respective period.

# Management Discussion and Analysis

## Material Acquisitions and Disposal of Subsidiaries and Associates

The Group did not have any material acquisition nor disposal of subsidiaries or associates during the Six-Month Review Period.

## Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2022.

## Capital Commitments

As of 30 June 2022, the Group's outstanding capital commitments amounted to approximately HK\$2.9 million, representing the outstanding payable for the capital expenditures of the new Modern Shanghai restaurant located at East Point City which was opened on 12 July 2022 (31 December 2021: nil).

## Information on Employees

The Group has 360 full-time employees and 58 part-time employees respectively as at 30 June 2022. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 31 December 2021.

## 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 Six-Month Review Period, the Group generated 99.3% 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 30 June 2022, 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.

# Management Discussion and Analysis

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 23 November 2017 (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 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 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. However, none of such plans had been materialised as at the date of this report. The Company will comply with the relevant disclosure requirements under the GEM Listing Rules as and when appropriate. It is currently expected that, should any of these expansion plans materialise, it will be funded by internal resources, bank borrowings 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.

## 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 5 December 2017 (being the date on which the Company listed on GEM of the Stock Exchange) to the date of this report is set out below:

	Business plan as stated in the Prospectus	Actual business progress up to 30 June 2022
1.	Continue to develop our brand portfolio and expand our restaurant network	<p>Settlement of part of the setting 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>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>

# Management Discussion and Analysis

	Business plan as stated in the Prospectus	Actual business progress up to 30 June 2022
	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	Guangzhou Mango Tree Food & 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 & 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
1. Continue to develop our brand portfolio and expand our restaurant network (Continued)	<p>Open a restaurant under the Hokkaidon brand and a restaurant under the Mango Tree brand in a shopping mall in Hong Kong</p> <p>Open a restaurant under the Modern Shanghai brand in a shopping mall in Hong Kong</p> <p>Set up a restaurant under the Mango Tree Café brand in a shopping mall in Shenzhen</p> <p>Set up a restaurant under a refined Ta-ke brand in a shopping mall in Shenzhen</p>	<p>The Group is still in the process of identifying a desirable location to open the restaurant</p> <p>Modern Shanghai (Olympian City) Restaurant has opened in September 2019</p> <p>The Group is still in the process of identifying a desirable location to open the restaurant</p> <p>The Group is still in the process of identifying a desirable location to open the restaurant</p>
2. Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	Identifying new sources of PRC clients	Negotiating for the new pre-opening consultancy contract in 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 certain 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

## 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.

References are made to the Company's announcements dated 23 March 2022 and 20 April 2022, a 60% 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 19 April 2022 to 18 April 2026 (with the tenant's option to renew for a further term of two years to 18 April 2028) for the opening of a new restaurant serving Huaiyang/Shanghainese cuisine under the trade name of "Modern Shanghai" in East Point City of Tseung Kwan O. The new restaurant commenced its business operation on 12 July 2022.

Reference is made to the Company's announcement dated 8 July 2022, a 100% owned subsidiary of the Company (as the tenant) entered into the tenancy agreement to rent the premises for a term of three years commencing from 22 December 2022 to 21 December 2025 (with the tenant's option to renew for a further term of three years from 22 December 2025 to 21 December 2028) for the opening of a new restaurant serving Huaiyang/Shanghainese cuisine under the trade name of "Modern Shanghai" in The Wai of Sha Tin. The new restaurant is scheduled to open in April/May 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. It is thus essential for the community to work together with the government to put the local epidemic under control as swiftly as possible. The first stage of adjustments to social distancing measures took effect on 21 April 2022, including allowing resumption of dinnertime dine-in services to 9:59 p.m. with the number of diners per table capped to four which was then further relaxed to eight diners per table with effect from 5 May 2022. The further stage of adjustments to social distancing measures was allowing the resumption of dinnertime dine-in services to 0:00 a.m. with effect from 19 May 2022 to resume the social and economic activities gradually.

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

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

As at 30 June 2022, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares, 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 any interest and short positions 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Six-Month 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 June 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 Ventures Limited (“ <b>Real Hero</b> ”)	Beneficial owner (Note 1)	188,084,000	Long	48.98%
Cai Weike (“ <b>Mr. Cai</b> ”)	Interest in controlled corporation (Note 1)	188,084,000	Long	48.98%
Zhang Meiyun (“ <b>Ms. Zhang</b> ”)	Interest of spouse (Note 2)	188,084,000	Long	48.98%

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 is 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 is deemed to be interested in all the shares Mr. Cai is interested in by virtue of the SFO.

Save as disclosed above, as at 30 June 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 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. For details of the change of the controlling shareholder of the Company and the Offer, please see the joint announcements issued by Real Hero and the Company dated 1 June 2022, 10 June 2022, 22 June 2022, 13 July 2022 and 19 July 2022 and the Composite Document.

## SHARE OPTION SCHEME

The share option scheme (the **"Share Option Scheme"**) was approved by the shareholders of the Company (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 and 3 months.

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

# Corporate Governance and Other Information

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

## CORPORATE GOVERNANCE

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

The new Memorandum and Articles of Association of the Company as detailed in the Company's circular dated 25 March 2022 have been approved by the Shareholders at the annual general meeting of the Company on 27 May 2022 in order for the Company to bring the constitutional documents of the Company in line with the amendments made to the applicable laws of the Cayman Islands and the GEM Listing Rules.

## 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 Six-Month Review Period.

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

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has reviewed the interim results for the six months ended 30 June 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 for the six months ended 30 June 2022 are unaudited and have not been audited or reviewed by the Company's auditors.

# Corporate Governance and Other Information

## EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 8 July 2022, the Group has entered into a tenancy agreement to lease a premises in The Wai for the opening of a new restaurant serving Huaiyang/Shanghainese cuisine under the trade name of “Modern Shanghai”. The new restaurant is scheduled to open in April/May 2023.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this report.

## DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2022.

## MATERIAL ACQUISITION AND DISPOSAL

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

## PUBLICATION OF INTERIM REPORT

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

By order of the Board of

**1957 & Co. (Hospitality) Limited**

**Kwok Chi Po**

*Chief Executive Officer and Executive Director*

Hong Kong, 4 August 2022

*As at the date of this report, the executive Directors are Mr. Kwok Chi Po, Mr. Kwan Wing Kuen Tino and Mr. Lau Ming Fai; the non-executive Directors are Mr. Leung Chi Tien Steve and Ms. Chan Siu Wan; the independent non-executive Directors are Mr. How Sze Ming, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason.*