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**1957 & Co. (Hospitality) Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8495)**

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
THE ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the annual report of 1957 & Co. (Hospitality) Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**We**”) for the year ended 31 December 2019 (the “**Annual Report 2019**”) published on 31 March 2020. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Annual Report 2019.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide shareholders of the Company and potential investors with further information regarding the Annual Report 2019 as follows:

**USE OF PROCEEDS FROM THE PLACING OF SHARES IN MAY 2019**

Reference is made to page 14 of the Annual Report 2019 in relation to the remaining balance of the proceeds from the Placing in the amount of HK\$3.0 million as at 31 December 2019 and page 20 of the Annual Report 2019 in relation to the prospect of the Group.

Under the original PRC expansion and development plan of the Group, the remaining balance of the Placing proceeds will be utilised for financing the investments of minority interests in the remaining three restaurants scheduled to be opened in the PRC. As at 31 December 2019, as stated in the third paragraph under the headline of “Prospect” on page 20 of the Annual Report 2019, the relevant investor and the Group was still in the process of identifying the desirable locations to open during the latter half of 2019. However, due to the slowdown of economic growth in Hong Kong in 2019 and the outbreak of COVID-19 in

PRC impacting both PRC and Hong Kong, we have suspended all the planned investment projects. Based on the above, we would like to restate the expected timeline for the intended use of the remaining net proceeds of the Placing as at 31 December 2019 as follows:

<b>Remaining balance of net proceeds</b>	<b>Planned use of the balance of the proceeds</b>	<b>Actual use up to 31 December 2019</b>	<b>Timeline of use of proceeds</b>
HK\$3.0 million	Invest in restaurants by a minority stake in the Guangdong-Hong Kong-Macau Greater Bay Area	Not used	Temporary suspended

Reference is also made to the first quarterly report of the Group for the three months ended 31 March 2020 (the “**First Quarterly Report 2020**”) published on 7 May 2020 and the interim report of the Group for the six months ended 30 June 2020 published on 5 August 2020 (the “**Interim Report 2020**”). It was mentioned in the third paragraph under the headline of “Prospect” on page 13 of the First Quarterly Report 2020 that, the Group intended to change the proposed use of unutilised net proceeds from the Placing in the amount of HK\$3.0 million originally planned to invest in restaurants by a minority stake in the Guangdong-Hong Kong-Macau Greater Bay Area to the restaurant operations of the Group in full amount to cope with the need which was estimated to be crucial for the coming months in view of a very severe and challenging operating environment currently faced by the Group. Further, as mentioned in note (2) under the headline of “Use of net proceeds from the placing of shares” on page 25 of the Interim Report 2020, the unutilised balance of HK\$3.0 million allocated from the proceeds had been transferred to restaurant operation in order to meet the cash requirement impacted by the loss of revenue arising from the severe and challenging operating environment faced by the Group and during the second quarter of 2020, the Group had used up all the remaining balance of the proceeds.

## **IMPAIRMENTS**

As disclosed in pages 12 and 97 of the Annual Report 2019, during the year ended 31 December 2019, the Group recognised total impairment losses on property, plant and equipment (the “**PPE**”) of approximately HK\$11.6 million, which was based on a forecast which had taken into account, among other things, (i) the accumulated operating losses incurred by the respective restaurants; (ii) the expected increase in operating losses of these restaurants with very remote chance of turnaround into profit-making position after taking into account the commencement of social events during the latter half of 2019 and the first annual contraction of real gross domestic product of Hong Kong since 2009.

The amount comprised:

1. Impairment loss of approximately HK\$7.9 million on the PPE allocated to Ta-Ke Japanese Restaurant at Lee Garden Two (“**Ta-Ke**”) which was operated by a 71%-owned subsidiary, L Garden and Partners Limited; and
2. Impairment loss of approximately HK\$3.7 million on the PPE allocated to Mango Tree (YOHO) Restaurant at YOHO Mall (“**Mango Tree (YOHO)**”) which was operated by a wholly-owned subsidiary, Mango Tree (HK) Limited.

As stated in pages 57 and 58 of the Annual Report 2019, our management periodically assesses whether there is any indication that the PPE may be impaired and estimates the recoverable amount of the PPE if any such indication exists. Our management considers each individual restaurant as a cash-generating unit (“**CGU**”) and reviews the performance of individual restaurants at the end of each reporting period to identify if any restaurant meets certain negative performance criteria which could indicate impairment. Such impairment indicators include:

- Operating losses incurred by restaurants during the financial year except for new restaurant in its first year of operation; or
- Plans to close a restaurant.

For a CGU where there is any indicator of impairment, the recoverable amount of the PPE is estimated as the higher of the CGU’s fair value less costs of disposal and its value in use. We then determine if provision is required by comparing the carrying amount of the PPE with its recoverable amount. Considering sub-lease is not allowed under existing tenancy agreement, no renewal of tenancy agreement upon expiry and no capital expenditure incurred during the lease period, management considered that the amount of value in use will be close to fair value less cost of disposal. Also, there is no other material non-current assets and working capital.

The Group had applied such impairment test consistently since Listing and there had been no change in valuation methodology adopted in determining the recoverable amount of the PPE.

During the year ended 31 December 2019, Ta-Ke and Mango Tree (YOHO) had recorded losses for the year due to, among other things, the expected increase in operating losses for these restaurants with very remote chance of turnaround into profit making position after taking into account the commencement of social events during the latter half of 2019 and the first annual contraction of real gross domestic product of Hong Kong since 2009.

Management considered the indicators of impairment existed as at 31 December 2019 and performed impairment assessments. The recoverable amounts of Ta-Ke and Mango Tree (YOHO) were determined based on value-in-use calculations with the following key inputs:

	<b>Ta-Ke</b>	<b>Mango Tree (YOHO)</b>
Opening date	March 2018	July 2017
Tenancy period until	November 2022	April 2023
Loss for the year (excluding management fee)	HK\$4.1 million	HK\$2.4 million
Seat turnover rate (over the remaining lease term)	Lunch 0.51–0.64 Dinner 0.42–0.53	Average 1.82–2.63
Average spending per customer	Lunch HK\$482 Dinner HK\$1,255	Average HK\$172
Discount rate	13.5%	13.5%
Recoverable amount of the restaurant as at 31 December 2019	HK\$23.5 million	HK\$15.1 million
Carrying amount of PPE as at 31 December 2019	HK\$31.4 million	HK\$18.8 million
Impairment loss recognised during the year ended 31 December 2019	HK\$7.9 million	HK\$3.7 million

The recoverable amount of the property, plant and equipment is estimated as the higher of CGU's fair value less costs of disposal and its value in use. Taking into account and assuming sub-lease is not allowed under existing tenancy agreement, no renewal of tenancy agreement upon expiry and no capital expenditure incurred during the lease period, it is considered that the amount of value in use will be close to fair value less cost of disposal. Therefore, the recoverable amounts were determined based on value in use calculations. The values in use of restaurants were calculated using discounted cash flow method based on financial budgets over the tenancy period, and had taken into account of the average spending per customer, daily seat turnover rate, cost of inventories to revenue and staff cost to revenue. The discount rates used was pre-tax and reflected specific risks relating to the relevant CGU. The impairment loss was calculated as follows:

Impairment loss = Carrying amount of PPE – Recoverable amount of the restaurant

There were some major assumptions applied, included but not limited to (1) no significant change in the economic situation of Hong Kong other than those events explained in the below paragraph and (2) the above tenancy will not be renewed upon the expiry.

The impairment loss in 2019 was mainly resulted from (1) the estimated decline in the daily seat turnover rate and average spending per customer after taking into account the commencement of social events during the latter half of 2019 and the first annual contraction of real gross domestic product of Hong Kong since 2009; and (2) the slight increase in the discount rate adopted. The discount rate used was computed and referenced from the average of several market operators. There were no material changes in other inputs or key assumptions adopted in the impairment assessment as compared to those used in the year ended 31 December 2018.

## OTHER EXPENSES/OTHER INCOME

For the year ended 31 December 2019, the Group recorded revenue of HK\$345.7 million and had other operating expenses of HK\$38.1 million. As detailed in note 9 on page 93 of the Annual Report 2019, such operating expenses included, among other things, “others” expenses amounted to approximately HK\$2.8 million for the year ended 31 December 2019. We would like to clarify the further breakdown of such item as below:

Breakdown of “Others” under other operating expenses:

	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entertainment expenses	765	499
Event services fee	689	676
Reservation system handling charges	482	139
Telecommunication charges	266	220
Storage expenses	258	92
Miscellaneous	<u>339</u>	<u>147</u>
	<u><u>2,799</u></u>	<u><u>1,773</u></u>

The management had continuously monitored the above expenses and considered that the expenses were incurred in the normal business of the Group and the trend was in line with different requirements under our various business operations and operating strategies implemented by the Group for our thirteen restaurants.

The supplementary information provided in this announcement does not affect the information contained in the Annual Report 2019, and save as disclosed above, the contents of the Annual Report 2019 remain unchanged.

By order of the Board of  
**1957 & Co. (Hospitality) Limited**  
**Kwok Chi Po**  
*Chief Executive Officer and Executive Director*

Hong Kong, 2 September 2020

*As at 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; 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 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 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.*

*The announcement will remain on the “Latest Listed Company Information” page of the website of GEM of the Stock Exchange at [www.hkgem.com](http://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](http://www.1957.com.hk).*