

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8495)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 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.

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2020:

- the Group recorded revenue of approximately HK\$320.5 million, representing a decrease of approximately 7.3% as compared to the corresponding year ended 31 December 2019;
- the Group received the Government grants in the amount of approximately HK\$24.3 million during the year;
- the Group recorded an increase in impairment loss in property, plant and equipment of approximately HK\$7.8 million incurred by four restaurants, namely Ta-ke Japanese Restaurant (“**Ta-ke**”), Mango Tree Café (Yoho) Restaurant, Mango Tree (Kowloon) Restaurant and Modern Shanghai (Olympian City) Restaurant;
- the Group recorded an adjusted loss before income tax to approximately HK\$24.2 million (2019: HK\$5.7 million) before the effects of impairment loss on property, plant and equipment and the Government grants received; and
- the Group recorded loss attributable to the owners of the Company of approximately HK\$12.9 million (2019: HK\$14.2 million).

RESULTS

The Directors are pleased to announce the consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		117,522	202,735
Intangible assets		1,200	1,416
Interest in associates		2,935	3,808
Deferred tax assets		12,201	9,788
		<u>133,858</u>	<u>217,747</u>
Current assets			
Inventories		2,354	2,090
Trade receivables	<i>11</i>	4,812	3,736
Prepayments, deposits and other receivables		7,258	5,166
Amounts due from related parties		78	54
Tax recoverable		1,522	2,122
Pledged bank deposits		7,035	13,082
Cash and cash equivalents		64,712	39,716
		<u>87,771</u>	<u>65,966</u>
Total assets		<u>221,629</u>	<u>283,713</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>12</i>	38	38
Share premium	<i>12</i>	100,980	100,980
Capital reserve		(2,983)	(2,983)
Exchange reserve		(186)	(613)
Accumulated losses		(45,525)	(32,616)
		<u>52,324</u>	<u>64,806</u>
Non-controlling interest		4,050	9,833
Total equity		<u>56,374</u>	<u>74,639</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		50,722	87,574
Deferred income tax liabilities		–	36
		<u>50,722</u>	<u>87,610</u>
Current liabilities			
Trade payables	13	16,770	13,920
Accruals and other payables		19,504	17,720
Lease liabilities		57,965	59,548
Contract liabilities		800	1,519
Income tax payable		448	576
Loan from non-controlling shareholders	15	7,600	7,600
Bank borrowings	14	11,446	20,581
		<u>114,533</u>	<u>121,464</u>
Total liabilities		<u>165,255</u>	<u>209,074</u>
Total equity and liabilities		<u>221,629</u>	<u>283,713</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

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

(ii) *Historical cost convention*

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

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

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

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

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

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

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

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

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

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

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

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

Segment revenue and results

Year ended 31 December 2020

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

Year ended 31 December 2019

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

Information about major customers

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

Segment assets and liabilities

At 31 December 2020

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

At 31 December 2019

	Operation of restaurants <i>HK\$'000</i>	Catering management and consultancy services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	325,156	62,170	1,563	(108,984)	279,905
Interest in associates	–	–	3,808	–	3,808
	<u>325,156</u>	<u>62,170</u>	<u>5,371</u>	<u>(108,984)</u>	<u>283,713</u>
Segment liabilities	<u>256,533</u>	<u>59,471</u>	<u>2,054</u>	<u>(108,984)</u>	<u>209,074</u>

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 People's Republic of China ("PRC"). The principal assets of the Group were also located in Hong Kong as at 31 December 2020 and 2019. Accordingly, no analysis by geographical segment is provided.

4 REVENUE

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

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

5 OTHER GAINS AND INCOME, NET

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

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

6 FINANCE COSTS, NET

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

7 OTHER OPERATING EXPENSES

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

8 INCOME TAX (CREDIT)/EXPENSE

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

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

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

9 DIVIDEND

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

10 LOSSES PER SHARE

(a) Basic

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

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

(b) Diluted

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

11 TRADE RECEIVABLES

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

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

12 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Authorised:			
Ordinary share capital of HK\$0.0001 each as at 31 December 2019 and 2020	3,800,000,000	380	–
Issued and fully paid:			
As at 1 January 2019	320,000,000	32	86,773
Shares issued (<i>Note</i>)	64,000,000	6	15,034
Less: transaction costs arising on share issues	–	–	(827)
As at 31 December 2019, 1 January 2020 and 31 December 2020	384,000,000	38	100,980

Note: On 30 May 2019, the Company issued 64,000,000 ordinary shares at HK\$0.235 per share by way of placing to finance new restaurant openings, development and expansion of the Group's current business and general working capital. All shares issued rank pari passu in all respects with the then existing shares.

13 TRADE PAYABLES

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

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

14 BANK BORROWINGS

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

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

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

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

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

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

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

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

15 LOANS FROM NON-CONTROLLING SHAREHOLDERS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-Trading balances:		
Chairman Food & Beverage Management Limited (<i>Note (a)</i>)	4,700	4,700
Jarrett Investments Limited (<i>Note (b)</i>)	<u>2,900</u>	<u>2,900</u>
	<u>7,600</u>	<u>7,600</u>

Notes:

- (a) The loan from non-controlling shareholder is unsecured, interest-free and repayable six months after the subsidiary achieves net profit position. The carrying amount of the balance approximates its fair value and is denominated in HK\$.
- (b) The loan from non-controlling shareholder is unsecured, interest-free and repayable one month after the subsidiary achieves net cash flow. The carrying amount of the balance approximates its fair value and is denominated in HK\$.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

INDUSTRY OVERVIEW

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

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

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

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

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

BUSINESS REVIEW

Hong Kong

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

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

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

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

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

As at 31 December 2020, the Group has a total of three invested restaurants in the PRC with minority stake investment in each of their respective operating company, including 24.9% equity interests in each of the respective operating company of the two invested restaurants, namely Guangzhou Mango Tree Food & Beverage Co. Ltd (廣州芒果樹餐飲有限公司) and Guangzhou Ten Shanghai Food & Beverage Co. Ltd (廣州十里弄餐飲有限公司), and 15.0% equity interests in the operating company of one invested restaurant, namely Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. (廣州芒果樹麗柏餐飲有限公司). We also provided one-off pre-opening consultancy services and restaurant management services to these restaurants.

The Group will continue to open new restaurants in Hong Kong going forward, and will invest in minority stake of up to 25% in certain holding companies of restaurants to be opened in the PRC. However, taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts, lower capital expenditures and/or more favourable rental package or rental concessions. Besides, in view of the improvement in the performance of the invested restaurants during the past few months in the PRC, the Group will place more efforts and be proactive in identifying opportunities for the opening and management of new restaurants in the PRC with or without our minority stake investment in a cautious manner. However, the outlook down the road depends critically on how the situation of the COVID-19 infection will evolve. The Group will continue to monitor the developments closely and will be cautious in running and expanding our PRC related business.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2020, approximately 99.5% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.5% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 31 December 2020, the Group was operating twelve (2019: thirteen) restaurants, of which no (2019: one) restaurant was newly opened and one (2019: no) restaurant was closed down during the year.

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

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

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

Shanghainese-style restaurants

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

Japanese-style restaurants

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

Thai-style restaurants

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

Vietnamese-style restaurants

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

Italian-style restaurant

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

Cost of inventories sold

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

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits, and were one of the largest components of the operating expenses of the Group. The staff costs decreased from approximately HK\$120.3 million for the year ended 31 December 2019 to approximately HK\$110.7 million for the year ended 31 December 2020, representing a decrease of approximately 8.0% in comparison. Such decrease was mainly due to the cost reduction measures applied.

Due to the general increase in labour costs in Hong Kong, the salary level of employees in the catering industry in Hong Kong has generally increased in the previous years. The Directors expect the staff costs will remain more stable as long as the downturn of the economy in Hong Kong continues.

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

Depreciation and amortisation

The Group recorded depreciation and amortisation of approximately HK\$79.6 million and HK\$81.8 million for the years ended 31 December 2019 and 2020, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle. As lease expenses have been reflected as amortisation of right-of-use assets and related finance cost since its recognition, with a higher expenses amount to be incurred in early years of the lease terms, diminishing over the lease's duration and result in a lower expenses amount in the latter part of the terms resulted from the adoption of HKFRS 16 — Leases. The increase in such expenses was mainly contributed by the incremental amortisation of right-of-use assets following the renewal of two lease and license agreements of our three restaurants, and commencement of a new lease agreement of Modern Shanghai (Olympian City) Restaurant during 2019.

The depreciation charged on the right-of-use assets amounted to approximately HK\$56.9 million and HK\$58.1 million for the years ended 31 December 2019 and 2020, respectively. The depreciation of the right-of-use assets was charged on a straight-line basis over the lease term. The lease terms of the leased premises are generally between two to six years, with some lease agreements providing an option for the Group to renew such lease terms, exercisable at our discretion.

The depreciation charged for the leasehold improvements amounted to approximately HK\$18.2 million and HK\$18.9 million, for the years ended 31 December 2019 and 2020, respectively. The depreciation of the leasehold improvements was charged on a straight-line basis over the shorter of five years or the remaining lease term. As a result, if the Group extended or renewed the lease term of the restaurants without incurring a renovation cost exceeding the original renovation costs of the relevant restaurants, the depreciation of leasehold improvements attributable to the relevant restaurant will be reduced.

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

Impairment loss on property, plant and equipment

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

Rental expenses

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

Utility expenses

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

Income tax expenses

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

Loss for the year

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

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

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

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

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

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

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

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

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

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

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

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

	Adjusted use of proceeds from the Placing	Actual use of proceeds up to 31 December 2020	Remaining proceeds as at 31 December 2020
(ii) The Placing			
1. To open a new restaurant serving Huaiyang (淮陽)/ Shanghainese cuisine in Olympian City 3	HK\$8.5 million	HK\$8.5 million	–
2. To invest in restaurants by a minority stake in the Guangdong-Hong Kong-Macao Greater Bay Area	– <i>(Note 2)</i>	–	–
3. General working capital <i>(Note 3)</i>	HK\$2.6 million	HK\$2.6 million	–
4. Restaurants operations <i>(Note 2)</i>	<u>HK\$3.0 million</u>	<u>HK\$3.0 million</u>	<u>–</u>
Total	<u><u>HK\$14.1 million</u></u>	<u><u>HK\$14.1 million</u></u>	<u><u>–</u></u>

Notes:

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. During the year ended 31 December 2020, the Group generated 99.5% of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.
2. Cost of inventories sold, staff cost and depreciation contributed a majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of our Group:
 - a. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.
 - b. Minimum wage requirements in Hong Kong which will be reviewed and adjusted periodically.
 - c. As at 31 December 2020, the Group leased all the properties for its restaurants operating in Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the subsequent published annual reports and interim reports, the Group had also considered other expansion plans through opening of new restaurants in Hong Kong. Taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts, lower capital expenditures and/or more favourable rental package or rental concessions. However, none of such plans had been materialised as at the date of this announcement. The Company will comply with the relevant requirements under the GEM Listing Rules as and when appropriate. It is currently expected as, should any of these expansion plan materialise, it will be funded by internal resources and contribution from associates/joint venture partners, if any. Nevertheless, the Group will continue to be cautious in further expanding our business by exercising due care and examining adequate opportunities and planning for the opening and investing in new restaurants.

COMPARISON OF BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

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

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2020
1. Continue to develop our brand portfolio and expand our restaurant network	<p>Settlement of part of the set up and opening costs of Paper Moon Restaurant</p> <p>Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong</p> <p>Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong</p> <p>Set up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou</p> <p>Set up a restaurant under the Mango Tree brand and set up a restaurant under the Mango Tree Café brand in shopping mall in Guangzhou</p>	<p>Settled certain costs for Paper Moon Restaurant</p> <p>10 Shanghai Restaurant has opened in January 2018</p> <p>Ta-ke Japanese Restaurant has opened in March 2018</p> <p>Guangzhou Ten Shanghai Food & Beverage Co. Ltd operated a restaurant, namely 十里弄堂 was set up and opened in Guangzhou K11 shopping mall during May 2018 and the Group is still in the process of identifying a desirable location to open the second restaurant</p> <p>Guangzhou Mango Tree Food & 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</p>

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

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

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

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

Cash position

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

Borrowings

As at 31 December 2020, the total bank borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$11.4 million (2019: approximately HK\$20.6 million) that bear floating interest rates from 2.8% to 4.6% per annum (2019: 3.0% to 5.2%). No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the bank borrowings are set out in note 14.

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

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

Pledge

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

Gearing ratio

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

COMMITMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

DIVIDEND

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

FOREIGN EXCHANGE EXPOSURE

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

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

TREASURY POLICIES AND RISK MANAGEMENT

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

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

SHARE OPTION SCHEME

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

LITIGATIONS

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

PROSPECT

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

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

Due to the slow down of economic growth in Hong Kong since 2019 and the outbreak of COVID-19 in the PRC and Hong Kong in 2020, all the planned investment projects were temporarily suspended in 2020. While, taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts, lower capital expenditures and/or more favourable rental package or rental concessions. On the other hand, in view of the improvement in the performance especially during the past few months in the PRC, the Group will place more effects and be proactive in identifying opportunities for the opening and management of new restaurants in the PRC with or without our minority stake investment in a cautious manner.

Meanwhile, in view of the above uncertainties, the industry may face further challenges while we will continue to review the operation and evaluate the performance of our existing and minority stake invested restaurants, and formulate adequate strategies for each restaurant and our development plan with a more proactive but conservative approach in response to changes in the industry and economic environment with a view to maximizing the return to our investors.

Further develop our restaurant pre-opening and management consultancy services in the PRC

Leveraging on our knowledge and experience in the food and beverage industry, we also provide restaurant pre-opening consultancy and restaurant management consultancy services. Our Directors consider that the food and beverage industry in the PRC has significant growth potential when the impact from COVID-19 is diminished and expect that there will be an increasing demand for restaurant consultancy services.

Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Shareholders.

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 and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code throughout the year. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Further information on the Group’s corporate governance practices will be set out in the Corporate Governance Report contained in the Group’s annual report for the year ended 31 December 2020, which will be sent to Shareholders in due course.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 Group’s consolidated financial statements and annual results for the year ended 31 December 2020. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

The figures in respect of the Group’s consolidated income statement, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers in the preliminary announcement.

ANNUAL GENERAL MEETING

The notice of the forthcoming annual general meeting of the Company will be published and dispatched to Shareholders in the manner specified in the GEM Listing Rules in due course.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

APPRECIATION

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

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

Hong Kong, 18 March 2021

As at the date of this announcement, 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; and the independent non-executive Directors are Mr. How Sze Ming, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason.

This announcement will remain on the "Latest Listed Company Information" 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.