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1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8495)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**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 six months ended 30 June 2021:

- the Group recorded unaudited revenue of approximately HK\$186.6 million (2020: HK\$158.4 million), representing an increase of approximately 17.8% as compared to the corresponding period ended 30 June 2020;
- the Group received the government grants in the amount of approximately HK\$5.1 million (2020: HK\$5.0 million);
- the Group recorded an unaudited adjusted profit before tax and government grants of approximately HK\$4.7 million (2020: adjusted loss of HK\$12.3 million); and
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$7.2 million (2020: loss of HK\$6.5 million).

During the three months ended 30 June 2021:

- the Group recorded unaudited revenue of approximately HK\$105.4 million (2020: HK\$89.9 million), representing an increase of 17.2% as compared to the corresponding period ended 30 June 2020;
- the Group received the government grants in the amount of approximately HK\$0.7 million (2020: HK\$3.6 million);
- the Group recorded an unaudited adjusted profit before tax and government grants of approximately HK\$9.2 million (2020: HK\$1.0 million); and
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$7.4 million (2020: HK\$4.1 million).

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 (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 2021 (the “**Three-Month Review Period**” and “**Six-Month Review Period**”, respectively), together with the unaudited comparative figures for the corresponding periods in 2020, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2021

| | Note | For the three months ended 30 June | | For the six months ended 30 June | |
|--|------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2020 HK\$'000 (Unaudited) |
| Revenue | 4 | 105,356 | 89,894 | 186,610 | 158,425 |
| Other gains and income, net | 5 | 1,066 | 3,658 | 6,067 | 5,065 |
| Cost of inventories sold | | (30,324) | (24,963) | (54,931) | (43,844) |
| Employee benefit expenses | | (31,290) | (27,742) | (58,122) | (55,095) |
| Depreciation, amortisation and impairment | | (18,600) | (20,403) | (37,312) | (41,333) |
| Royalty fees | | (1,640) | (1,366) | (2,857) | (2,222) |
| Rental expenses | | (2,127) | (1,971) | (3,922) | (3,300) |
| Utilities | | (2,491) | (2,306) | (4,677) | (4,694) |
| Other operating expenses | | (8,866) | (8,721) | (18,753) | (16,837) |
| Operating profit/(loss) | | 11,084 | 6,080 | 12,103 | (3,835) |
| Finance income | | 1 | 10 | 1 | 17 |
| Finance costs | | (733) | (1,343) | (1,594) | (2,834) |
| Finance costs, net | 6 | (732) | (1,333) | (1,593) | (2,817) |
| Share of losses of associates | | (499) | (133) | (701) | (641) |
| Profit/(loss) before income tax | | 9,853 | 4,614 | 9,809 | (7,293) |
| Income tax expense | 7 | (937) | (115) | (1,026) | (278) |
| Profit/(loss) for the period | | 8,916 | 4,499 | 8,783 | (7,571) |
| Profit/(loss) for the period attributable to: | | | | | |
| — Owners of the Company | | 7,431 | 4,134 | 7,175 | (6,486) |
| — Non-controlling interests | | 1,485 | 365 | 1,608 | (1,085) |
| | | 8,916 | 4,499 | 8,783 | (7,571) |
| Earnings/(losses) per share attributable to owners of the Company for the period (HK cents) | | | | | |
| — Basic and diluted | 9 | 1.94 | 1.08 | 1.87 | (1.69) |

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|-----------------|-------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit/(loss) for the period | 8,916 | 4,499 | 8,783 | (7,571) |
| Other comprehensive income/ (loss) | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | |
| — Currency translation differences | <u>537</u> | <u>(83)</u> | <u>564</u> | <u>(38)</u> |
| Total comprehensive income/ (loss) for the period | <u>9,453</u> | <u>4,416</u> | <u>9,347</u> | <u>(7,609)</u> |
| Total comprehensive income/ (loss) for the period attributable to: | | | | |
| — Owners of the Company | <u>7,926</u> | 4,065 | <u>7,687</u> | (6,510) |
| — Non-controlling interests | <u>1,527</u> | <u>351</u> | <u>1,660</u> | <u>(1,099)</u> |
| | <u>9,453</u> | <u>4,416</u> | <u>9,347</u> | <u>(7,609)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

| | | As at 30 June 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|---|-------------|---|---|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>10</i> | 88,863 | 117,522 |
| Intangible assets | <i>11</i> | 1,091 | 1,200 |
| Interest in associates | <i>12</i> | 2,771 | 2,935 |
| Deferred tax assets | | 12,201 | 12,201 |
| | | <hr/> 104,926 <hr/> | <hr/> 133,858 <hr/> |
| Current assets | | | |
| Inventories | | 2,262 | 2,354 |
| Trade receivables | <i>13</i> | 7,050 | 4,812 |
| Prepayments, deposits and other receivables | | 8,742 | 7,258 |
| Amounts due from related parties | | 78 | 78 |
| Tax recoverable | | 1,331 | 1,522 |
| Pledged bank deposits | | 7,035 | 7,035 |
| Cash and cash equivalents | | 79,510 | 64,712 |
| | | <hr/> 106,008 <hr/> | <hr/> 87,771 <hr/> |
| Total assets | | <hr/> 210,934 <hr/> | <hr/> 221,629 <hr/> |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | <i>14</i> | 38 | 38 |
| Share premium | | 100,980 | 100,980 |
| Capital reserve | | (2,983) | (2,983) |
| Exchange reserve | | 326 | (186) |
| Accumulated losses | | (38,350) | (45,525) |
| | | <hr/> 60,011 <hr/> | <hr/> 52,324 <hr/> |
| Non-controlling interests | | 5,710 | 4,050 |
| Total equity | | <hr/> 65,721 <hr/> | <hr/> 56,374 <hr/> |

| | | As at 30 June 2021 <i>HK\$'000</i> (Unaudited) | As at 31 December 2020 <i>HK\$'000</i> (Audited) |
|---|-----------|--|--|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | | <u>31,347</u> | <u>50,722</u> |
| Current liabilities | | | |
| Trade payables | <i>15</i> | 21,064 | 16,770 |
| Accruals and other payables | | 19,645 | 19,504 |
| Lease liabilities | | 54,171 | 57,965 |
| Contract liabilities | | 1,218 | 800 |
| Income tax payables | | 1,508 | 448 |
| Loans from non-controlling shareholders | | 7,600 | 7,600 |
| Bank borrowings | <i>16</i> | <u>8,660</u> | <u>11,446</u> |
| | | <u>113,866</u> | <u>114,533</u> |
| Total liabilities | | <u>145,213</u> | <u>165,255</u> |
| Total equity and liabilities | | <u><u>210,934</u></u> | <u><u>221,629</u></u> |

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2021

| | Attributable to the owners of the Company | | | | | | Non- controlling interest | Total equity |
|---|---|------------------|--------------------|---------------------|-----------------------|-----------------|---------------------------------|-----------------|
| | Share Capital | Share premium | Capital reserve | Exchange reserve | Accumulated losses | Total | | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | | |
| (Unaudited) | | | | | | | | |
| As at 1 January 2020 | 38 | 100,980 | (2,983) | (613) | (32,616) | 64,806 | 9,833 | 74,639 |
| Comprehensive loss | | | | | | | | |
| Loss and total comprehensive loss for the period | - | - | - | - | (6,486) | (6,486) | (1,085) | (7,571) |
| Other comprehensive loss | | | | | | | | |
| Currency translation differences | - | - | - | (24) | - | (24) | (14) | (38) |
| Total comprehensive loss | - | - | - | (24) | (6,486) | (6,510) | (1,099) | (7,609) |
| Balance at 30 June 2020 | <u>38</u> | <u>100,980</u> | <u>(2,983)</u> | <u>(637)</u> | <u>(39,102)</u> | <u>58,296</u> | <u>8,734</u> | <u>67,030</u> |
| (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 | <u>38</u> | <u>100,980</u> | <u>(2,983)</u> | <u>326</u> | <u>(38,350)</u> | <u>60,011</u> | <u>5,710</u> | <u>65,721</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2021

| | For the six months ended | |
|---|--------------------------|-----------------|
| | 30 June | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Cash flow from operating activities | | |
| Profit/(loss) before income tax | 9,809 | (7,293) |
| Adjustments for: | | |
| — Depreciation and amortisation | 37,312 | 41,333 |
| — Share of losses of associates | 701 | 641 |
| — Finance income | (1) | (17) |
| — Finance costs | 1,594 | 2,834 |
| Operating cash flows before changes in working capital | 49,415 | 37,498 |
| Changes in working capital: | | |
| — Inventories | 92 | 95 |
| — Trade and other receivables | (3,722) | (2,315) |
| — Trade and other payables | 4,459 | 4,544 |
| — Contract liabilities | 418 | 35 |
| — Amount due from/to related companies | — | 3,177 |
| Cash generated from operations | 50,662 | 43,034 |
| Interest paid | (1,594) | (2,834) |
| Hong Kong profits tax refunded/(paid) | 253 | (260) |
| Net cash generated from operating activities | 49,321 | 39,940 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (146) | (1,668) |
| Proceeds from disposal of property, plant and equipment | — | 4 |
| Interest received | 1 | 17 |
| Net cash used in investing activities | (145) | (1,647) |
| Cash flows from financing activities | | |
| Pledged bank deposit | — | 6,049 |
| Repayment of bank borrowings | (2,786) | (8,016) |
| Payment of lease liabilities | (31,567) | (24,535) |
| Net cash used in financing activities | (34,353) | (26,502) |
| Net increase in cash and cash equivalents | 14,823 | 11,791 |
| Cash and cash equivalents at beginning of the period | 64,712 | 39,716 |
| Effect of foreign exchange rate changes | (25) | 51 |
| Cash and cash equivalents at end of the period | 79,510 | 51,558 |

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 Room 702, 7/F, 101 King's 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 2021 (the “**2021 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 2021 Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

The 2021 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 2021 Interim Financial Statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2020.

In current period, the Group has applied the following new or revised Hong Kong Financial Reporting Standards (“**new HKFRSs**”) issued by the HKICPA which are or have become effective.

| | |
|---|--|
| Amendments to HKAS39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 (amendments) |
|---|--|

The application of these new HKFRSs in the current period has had no material effective on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in those 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 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 gains and income, net, 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 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) |
| Revenue from external customers | 184,833 | 1,777 | 186,610 |
| Result | | | |
| Segment profit | 12,549 | 1,652 | 14,201 |
| Other gains and income, 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 |
| Other segment items | | | |
| Depreciation and amortisation | (36,545) | – | (36,545) |
| Finance income | 1 | – | 1 |
| Finance costs | (1,587) | (7) | (1,594) |

Six months ended 30 June 2020

| | Operation of restaurants <i>HK\$'000</i> (Unaudited) | Catering management and consultancy services <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|---|---|--|---|
| Total segment revenue | 157,698 | 10,014 | 167,712 |
| Inter-segment revenue | – | (9,287) | (9,287) |
| Revenue from external customers | <u>157,698</u> | <u>727</u> | <u>158,425</u> |
| Result | | | |
| Segment (loss)/profit | <u>(3,636)</u> | <u>690</u> | (2,946) |
| Other gains and income, net | | | 5,065 |
| Unallocated staff costs | | | (7,041) |
| Unallocated depreciation and amortisation | | | (772) |
| Unallocated utilities and consumables | | | (4) |
| Unallocated other expenses | | | (954) |
| Share of losses of associates | | | (641) |
| Loss before income tax | | | <u>(7,293)</u> |
| Other segment items | | | |
| Depreciation and amortisation | (40,561) | – | (40,561) |
| Finance income | 17 | – | 17 |
| Finance costs | <u>(2,808)</u> | <u>(26)</u> | <u>(2,834)</u> |

Information about major customers

There are no single external customers who contributed to more than 10% of the revenue of the Group during the period ended 30 June 2021 (2020: same).

Segment assets and liabilities

At 30 June 2021

| | Operation of restaurants <i>HK\$'000</i> (Unaudited) | Catering management and consultancy services <i>HK\$'000</i> (Unaudited) | Unallocated <i>HK\$'000</i> (Unaudited) | Elimination <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|------------------------|---|--|---|---|---|
| Segment assets | 244,277 | 63,441 | 41 | (99,596) | 208,163 |
| Interest in associates | – | – | 2,771 | – | 2,771 |
| | <u>244,277</u> | <u>63,441</u> | <u>2,812</u> | <u>(99,596)</u> | <u>210,934</u> |
| Segment liabilities | <u>199,967</u> | <u>43,538</u> | <u>1,304</u> | <u>(99,596)</u> | <u>145,213</u> |

At 31 December 2020

| | Operation of restaurants <i>HK\$'000</i> (Audited) | Catering management and consultancy services <i>HK\$'000</i> (Audited) | Unallocated <i>HK\$'000</i> (Audited) | Elimination <i>HK\$'000</i> (Audited) | Total <i>HK\$'000</i> (Audited) |
|------------------------|---|--|---|---|---------------------------------------|
| 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> |

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 2021 and 31 December 2020. Accordingly, no analysis by geographical segment is provided.

4 REVENUE

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

| | For the three months ended | | For the six months ended | |
|---|----------------------------|---------------|--------------------------|----------------|
| | 30 June | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Operation of restaurants, recognised at a point in time | 104,409 | 89,533 | 184,833 | 157,698 |
| Catering management and consultancy services, recognised overtime | 947 | 361 | 1,777 | 727 |
| | <u>105,356</u> | <u>89,894</u> | <u>186,610</u> | <u>158,425</u> |

5 OTHER GAINS AND INCOME, NET

| | For the three months ended | | For the six months ended | |
|-------------------|----------------------------|--------------|--------------------------|--------------|
| | 30 June | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Government grants | 700 | 3,565 | 5,125 | 4,965 |
| Sundry income | 366 | 93 | 942 | 100 |
| | <u>1,066</u> | <u>3,658</u> | <u>6,067</u> | <u>5,065</u> |

6 FINANCE COSTS, NET

| | For the three months ended | | For the six months ended | |
|---|----------------------------|----------------|--------------------------|----------------|
| | 30 June | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Finance income | | | | |
| Interest income | <u>1</u> | <u>10</u> | <u>1</u> | <u>17</u> |
| Finance costs | | | | |
| Interest expenses on bank borrowings | (68) | (180) | (156) | (357) |
| Interest expenses on lease liabilities | <u>(665)</u> | <u>(1,163)</u> | <u>(1,438)</u> | <u>(2,477)</u> |
| | <u>(733)</u> | <u>(1,343)</u> | <u>(1,594)</u> | <u>(2,834)</u> |
| Finance costs, net | <u>(732)</u> | <u>(1,333)</u> | <u>(1,593)</u> | <u>(2,817)</u> |

7 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the six months ended 30 June 2021.

8 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2021.

9 EARNINGS/(LOSSES) PER SHARE

(a) Basic

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

| | For the three months ended | | For the six months ended | |
|--|----------------------------|-------------|--------------------------|---------------|
| | 30 June | | 30 June | |
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Profit/(loss) attributable to owners of the Company (HK\$'000) | 7,431 | 4,134 | 7,175 | (6,486) |
| Weighted average number of ordinary shares in issues (in thousands) | 384,000 | 384,000 | 384,000 | 384,000 |
| Basic earnings/(losses) per share (HK cents) | <u>1.94</u> | <u>1.08</u> | <u>1.87</u> | <u>(1.69)</u> |

(b) Diluted

Diluted earnings/(losses) per share for the three months and six months ended 30 June 2021 and 2020 were the same as the basic earnings/(losses) per share as there were no potential dilutive ordinary shares.

10 PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets <i>HK\$'000</i> | Leasehold improvements <i>HK\$'000</i> | Furniture and fixture <i>HK\$'000</i> | Kitchen and operating equipment <i>HK\$'000</i> | Computer equipment <i>HK\$'000</i> | Motor vehicle <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|---|--|--|-------------------------------------|--------------------------|
| At 31 December 2020 (Audited) | | | | | | | |
| Cost | 371,527 | 115,446 | 9,798 | 17,555 | 2,645 | 156 | 517,127 |
| Accumulated depreciation and impairment | (282,551) | (92,329) | (7,479) | (14,705) | (2,466) | (75) | (399,605) |
| Net book amount | <u>88,976</u> | <u>23,117</u> | <u>2,319</u> | <u>2,850</u> | <u>179</u> | <u>81</u> | <u>117,522</u> |
| Six months ended 30 June 2021 (Unaudited) | | | | | | | |
| Opening net book amount | 88,976 | 23,117 | 2,319 | 2,850 | 179 | 81 | 117,522 |
| Additions | 10,090 | - | 5 | 89 | 52 | - | 10,236 |
| Lease modification | (1,692) | - | - | - | - | - | (1,692) |
| Depreciation | (27,591) | (7,897) | (590) | (1,020) | (89) | (16) | (37,203) |
| Closing net book amount | <u>69,783</u> | <u>15,220</u> | <u>1,734</u> | <u>1,919</u> | <u>142</u> | <u>65</u> | <u>88,863</u> |
| At 30 June 2021 (Unaudited) | | | | | | | |
| Cost | 379,925 | 115,446 | 9,803 | 17,644 | 2,698 | 156 | 525,672 |
| Accumulated depreciation and impairment | (310,142) | (100,226) | (8,069) | (15,725) | (2,556) | (91) | (436,809) |
| Net book amount | <u>69,783</u> | <u>15,220</u> | <u>1,734</u> | <u>1,919</u> | <u>142</u> | <u>65</u> | <u>88,863</u> |

11 INTANGIBLE ASSETS

| | <i>HK\$'000</i> |
|--|-----------------|
| At 31 December 2020 (Audited) | |
| Cost | 2,112 |
| Accumulated amortisation | <u>(912)</u> |
| Net book amount | <u>1,200</u> |
| Six months ended 30 June 2021 (Unaudited) | |
| Opening net book amount | 1,200 |
| Amortisation charges | <u>(109)</u> |
| Net book amount | <u>1,091</u> |
| At 30 June 2021 (Unaudited) | |
| Cost | 2,112 |
| Accumulated amortisation | <u>(1,021)</u> |
| Net book amount | <u>1,091</u> |

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.

12 INTEREST IN ASSOCIATES

| | At 30 June 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|--------------------------|---|---|
| Investment in associates | <u>2,771</u> | <u>2,935</u> |

Movement of interest in associates during the six months ended 30 June 2021 and year ended 31 December 2020 are analysed as below:

| | Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited) | Year ended 31 December 2020 <i>HK\$'000</i> (Audited) |
|--------------------------------------|--|--|
| At beginning of period | 2,935 | 3,808 |
| Share of losses of associates | (701) | (1,057) |
| Currency translation difference, net | <u>537</u> | <u>184</u> |
| At end of period | <u>2,771</u> | <u>2,935</u> |

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 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|---------------|---|---|
| 1 to 30 days | 2,614 | 1,606 |
| 31 to 60 days | 949 | 678 |
| 61 to 90 days | 856 | 558 |
| Over 90 days | <u>2,631</u> | <u>1,970</u> |
| | <u>7,050</u> | <u>4,812</u> |

Note:

The increase of trade receivables mainly contributed by the massive promotions with several shopping malls where certain of our restaurants were located.

14 SHARE CAPITAL

| | 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 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021 | 3,800,000,000 | 380 | - |
| Issued and fully paid: | | | |
| At 30 June 2020, 1 January 2021, 30 June 2021 | 384,000,000 | 38 | 100,980 |

15 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 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|---------------|---|---|
| 1 to 30 days | 10,493 | 7,453 |
| 31 to 60 days | 10,364 | 9,174 |
| 61 to 90 days | 5 | 20 |
| Over 90 days | 202 | 123 |
| | <u>21,064</u> | <u>16,770</u> |

Note:

The increase of trade payables mainly contributed by the increased purchases as a result of the increase in sale revenue during the Six-Month Review Period.

16 BANK BORROWINGS

| | At 30 June 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|----------------------------|---|---|
| Current Bank borrowings | <u>8,660</u> | <u>11,446</u> |

As at 30 June 2021, the Group's bank borrowings were secured by corporate guarantee given by the Company (31 December 2020: same) and pledged bank deposits of HK\$5,025,000 (31 December 2020: same).

The weighted average effective interest rates of the bank borrowings as at 30 June 2021 was 3.03% per annum (31 December 2020: 3.50% 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 2021 <i>HK\$'000</i> (Unaudited) | At 31 December 2020 <i>HK\$'000</i> (Audited) |
|-----------------------|---|---|
| Within 1 year | 5,704 | 5,613 |
| Between 1 and 2 years | <u>2,956</u> | <u>5,833</u> |
| | <u>8,660</u> | <u>11,446</u> |

17 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 | |
|--|--|--|
| | 2021 <i>HK\$'000</i> (Unaudited) | 2020 <i>HK\$'000</i> (Unaudited) |
| Management fee (<i>Note (a)</i>) | | |
| — Guangzhou Mango Tree Food & Beverage Co. Ltd. | 288 | 264 |
| — Guangzhou Ten Shanghai Food & Beverage Co. Ltd. | 288 | 264 |
| — Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. | <u>216</u> | <u>198</u> |
| Lease payment (<i>Note (b)</i>) | | |
| — Perfect Win Properties Limited | 5,385 | 4,726 |
| — Barrowgate Limited | <u>7,607</u> | <u>6,174</u> |

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

The food and beverage sector has been continuing facing a difficult business environment due to the threat of the Coronavirus Disease 2019 (the "COVID-19") infection and the regulations have substantial impacts on the restaurant business operation, such as the limiting of the restaurant seating capacity, persons limit per table and the adequate distance of 1.5 metres from one table to another, and the most crucial to the restaurants operations was the dine-in ban after 6 p.m. to 5 a.m. of next working day during the period from 1 January 2021 to 17 February 2021.

The outlook down the road depends critically on how the situation of the COVID-19 infection will evolve, the number of new locally transmitted cases and/or the imported cases identified, the effectiveness of the compulsory testing in local areas immediately followed, the effectiveness and coverage of the COVID-19 vaccination programme and the future government policy on the subject matter as the 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 catering sector. The Group will continue to monitor the developments closely and will be cautious in running our business.

BUSINESS REVIEW

Hong Kong

As at 30 June 2021, 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 in Hong Kong.

During the six months ended 30 June 2021, a series of tightening social distancing measures including dine-in ban after 6 p.m. to 5 a.m. of the next working day, 2-person limit per table, 50% capacity seating limit had been in force during the period from 1 January 2021 to 17 February 2021 which led to destructive impacts on catering business.

Subsequently, those controls proved to be effective with fewer infected cases were detected together with the compulsory testing in local areas, and the launching of the vaccination programme. As a result, from 18 February 2021 onwards, an extension of dine-in services at restaurants till 10 p.m. and seat up to four persons per table were in force.

We launched a lot of promotions to cope with this resumption and the revenue was bounded up quickly during the rest of the first quarter and the entire second quarter of 2021.

However, the closure of the border checkpoints was still in force in the Six-Month Review Period, including Lo Wu, Lok Ma Chau, Huang Gang Port, and the Hong Kong Macau Ferry Terminal and the imposed restrictions on the border checkpoints that remain open at the airport, the Shenzhen Bay, and the Hong Kong-Zhuhai-Macao Bridge have almost completely stopped all overseas and mainland visitors and affected the food and beverage business of Hong Kong.

During the Six-Month Review Period, three tenancy agreements have been executed by the landlord and renewed for:

- a) an existing Shanghainese cuisine restaurant (where our Modern Shanghai Restaurant is located in) in YOHO Mall, the expiry of lease had been extended from 31 May 2021 to 31 May 2023;
- b) an existing Japanese cuisine restaurant (where our Hokkaidon Restaurant is located in) in Cityplaza, the expiry of lease had been extended from 19 October 2021 to 19 April 2023; and
- c) an existing Thai cuisine restaurant (where our Mango Tree Restaurant is located in) in Cityplaza, the expiry of lease had been extended from 19 October 2021 to 19 April 2023.

The PRC

As at 30 June 2021, the Group has a total of three invested restaurants in the PRC with minority stake investment in each of their respective operating company, including 24.9% equity interests in each of the respective operating company of the two invested restaurants, namely Guangzhou Mango Tree Food & Beverage Co. Ltd (廣州芒果樹餐飲有限公司) and Guangzhou Ten Shanghai Food & Beverage Co. Ltd (廣州十里弄餐飲有限公司), and 15.0% equity interests in the operating company of one invested restaurant, namely Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. (廣州芒果樹麗柏餐飲有限公司).

We also provided one-off pre-opening consultancy services and restaurant management services to these restaurants. As the outbreak of the COVID-19 was in a better control in the PRC during the Six-Month Review Period, the revenue of these restaurants were climbing on the healthy track accordingly. The Group will continue to monitor the relevant economic conditions and the ever-changing catering landscape, including the cost pressure and the increasing downward pressure of the domestic economy.

However, taking into account of the recent outbreak of another wave of COVID-19, 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 99.0% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 1.0% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 June 2021, the Group was operating twelve (2020: thirteen) restaurants, of which no (2020: no) restaurant was newly opened and no (2020: no) restaurant was closed down during the Six-Month Review Period in Hong Kong.

The revenue increased by approximately 17.8% from approximately HK\$158.4 million for the six months ended 30 June 2020 to approximately HK\$186.6 million for the six months ended 30 June 2021 as compared to the respective corresponding period in 2020. When the outbreak of COVID-19 in early 2020 hit the market and resulted in a significant reduction in the number of customers dine-in at our restaurants and followed by the impact from a series of social distancing measures as implemented, the sales revenue dropped disastrously. In first half of 2021, the situation has improved as the infected cases of COVID-19 had maintained at a relatively lower level in Hong Kong and there were partial relaxation of anti-epidemic measures to extend the dine-in services at restaurants till 10 p.m. and seat up to four people per table from 18 February 2021 onwards, which resulted in considerable improvement in revenue of the Group for the Three-Month Review Period and the remaining period of the Six-Month Review Period.

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 | | | |
|--------------|----------------------------------|------------|----------|------------|
| | 2021 | | 2020 | |
| | Revenue | % of total | Revenue | % of total |
| | HK\$'000 | Revenue | HK\$'000 | Revenue |
| | | (%) | | (%) |
| Shanghainese | 50,153 | 27.1 | 41,336 | 26.2 |
| Japanese | 50,104 | 27.1 | 39,293 | 24.9 |
| Thai | 36,431 | 19.7 | 30,204 | 19.2 |
| Vietnamese | 25,044 | 13.6 | 25,506 | 16.2 |
| Italian | 23,101 | 12.5 | 21,359 | 13.5 |
| Total | 184,833 | 100.0 | 157,698 | 100.0 |

Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants increased by approximately HK\$8.9 million, or approximately 21.5%, from approximately HK\$41.3 million for the six months ended 30 June 2020 to approximately HK\$50.2 million for the six months ended 30 June 2021. The increase in revenue contributed by the new takeaway dishes offered during the dine-in restriction measures imposed to catering business till late February 2021 and the subsequent partial relaxation of anti-epidemic measures as mentioned above, the sales revenue was bounded up quickly.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK\$10.8 million, or approximately 27.5%, from approximately HK\$39.3 million for the six months ended 30 June 2020 to approximately HK\$50.1 million for the six months ended 30 June 2021. Such increase was due to the liberal marketing promotions and attractive discounted offers to stimulate the sales and the subsequent partial relaxation of anti-epidemic measures as mentioned above, the sales revenue was bounded up quickly.

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants increased by approximately HK\$6.2 million, or approximately 20.5%, from approximately HK\$30.2 million for the six months ended 30 June 2020 to approximately HK\$36.4 million for the six months ended 30 June 2021. The revenue stimulated by lots of marketing promotions, discounted offers to customers and the subsequent partial relaxation of anti-epidemic measures as mentioned above, the sales revenue was bounded up quickly.

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants slightly decreased by approximately HK\$0.5 million, or approximately 2.0%, from approximately HK\$25.5 million for the six months ended 30 June 2020 to approximately HK\$25.0 million for the six months ended 30 June 2021. Such a slight decrease was the combined effect of the drop in revenue contribution from Petit An Nam (Yoho Midtown) Restaurant which was closed in November 2020 and the increased revenue contribution from our existing restaurants in the period during the subsequent partial relaxation in anti-epidemic measures as mentioned above.

Italian-style restaurant

The revenue generated from operation of Italian-style restaurant increased by approximately HK\$1.7 million, or approximately 7.9%, from approximately HK\$21.4 million for the six months ended 30 June 2020 to approximately HK\$23.1 million for the six months ended 30 June 2021. Such increase was mainly contributed by the increase in the pedestrian flow of the shopping mall where the restaurant located with a generous promotion.

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 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\$54.9 million and HK\$43.8 million for each of the six months ended 30 June 2021 and 2020, respectively, representing approximately 29.7% and 27.8% of the Group's total revenue generated from operation of restaurants for the corresponding period. The cost of inventories sold as a percentage of revenue increased mainly attributable by the increasing promotions launched or discounted offers for sales stimulating measures.

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\$55.1 million for the six months ended 30 June 2020 to approximately HK\$58.1 million for the six months ended 30 June 2021, representing an increase of approximately 5.4% in comparison. Such increase was mainly due to the additional labour forces required for coping with the increased revenue.

The Directors expect the costs will slightly increase as the food and beverage industry has a sign to recover when more relaxation of anti-epidemic measures are effected in Hong Kong.

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

Depreciation and amortisation

The Group recorded depreciation and amortisation of approximately HK\$41.3 million and HK\$37.3 million for the six months ended 30 June 2020 and 2021, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle.

The depreciation charged on the right-of-use assets amounted to approximately HK\$29.0 million and HK\$27.6 million for the six months ended 30 June 2020 and 2021, 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\$9.9 million and HK\$7.9 million, for the six months ended 30 June 2020 and 2021, 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 2021 amounted to approximately HK\$3.9 million, representing an increase of approximately 18.2% as compared with that of the six months ended 30 June 2020 which amounted to approximately HK\$3.3 million. The increase was due to the increase in revenue of our certain restaurants which led to an increase 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 2021 and 2020, the total utility amounted to approximately HK\$4.7 million and HK\$4.7 million, respectively.

Other operating expenses

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

The other operating expenses increased from approximately HK\$16.8 million for the six months ended 30 June 2020 to approximately HK\$18.8 million for the six months ended 30 June 2021, representing an increase of approximately 11.9%. This was mainly attributable to the cost associated with the boost of sales revenue.

Income tax expenses

The income tax expenses increased from approximately HK\$0.3 million for six months ended 30 June 2020 to approximately HK\$1.0 million for the six months ended 30 June 2021.

Finance costs

The Group's finance costs decreased from approximately HK\$2.8 million for the six months ended 30 June 2020 to approximately HK\$1.6 million for the six months ended 30 June 2021 principally due to the repayment of bank borrowings at the end of the second quarter of 2020.

Profit/(loss) for the period

The Group recorded a profit for the period of approximately HK\$8.8 million for the six months ended 30 June 2021 as compared to a loss of approximately HK\$7.6 million for the corresponding period in 2020. The profit included the government grants in the amount of approximately HK\$5.1 million (2020: HK\$5.0 million) received by the Group during the Six-Month Review Period.

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 2021, the cash and cash equivalents of the Group amounted to approximately HK\$79.5 million (31 December 2020: approximately HK\$64.7 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 22.9% as compared to that as at 31 December 2020. The increase was mainly because the net increase in operating cash flows arising from the increase of revenue through the operating activities was in excess of the net cash used in financing activities, which principally represented the repayment of borrowings and payment of lease liabilities and the receipt of government grants.

Borrowings

As at 30 June 2021, the total borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$8.7 million (31 December 2020: approximately HK\$11.4 million) that bears the weighted average of floating interest rates of approximately 3.03% per annum. 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 2021.

Pledge

As at 30 June 2021, a total of HK\$7.0 million pledged deposits held at banks were provided by the Group as security for a rental deposit of our lease and as securities for the bank borrowings (31 December 2020: same).

Gearing ratio

As at 30 June 2021, the gearing ratio of the Group was approximately 24.7% (2020: approximately 33.8%). 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.

Material Acquisitions and Disposals 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 2021.

Capital Commitments

As of 30 June 2021, the Group's outstanding capital commitments were nil (31 December 2020: nil).

Information on Employees

The Group has 329 full-time employees and 71 part-time employees respectively as at 30 June 2021. The Group's employment and remuneration policies remained the same as detailed in the Company's annual report for the year ended 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 Six-Month Review Period, the Group generated 99.0% 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 2021, 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 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 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 to disclose details of such plans as and when appropriate. It is currently expected that, should any of these expansion plans 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 5 December 2017 (being the date on which the Company listed on GEM of the Stock Exchange) to the date of this announcement is set out below:

| | Business plan as stated in the Prospectus | Actual business progress up to 30 June 2021 | |
|----|---|--|--|
| 1. | Continue to develop our brand portfolio and expand our restaurant network | <p>Settled certain costs for 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>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 30 June 2021 |
|--|---|---|
| 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 | 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.

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 slowdown 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. However, taking into account the latest economic development, the recent changes in the vacancy rate of various shopping centres and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider to open new restaurants with different concepts, lower capital expenditures and/or more favourable rental package.

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 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.

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 endeavour to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders (the "**Shareholders**").

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

| Name | Capacity/ Nature of Interest | Number of Shares | Long/ Short position | Approximate Percentage of Shareholding in the Company (%) |
|---------------------------------------|--|---------------------|----------------------------|--|
| Kwan Wing Kuen Tino (“Mr. Kwan”) | Interest in controlled corporation/ beneficial owner (Note 1) | 75,268,800 | Long | 19.60% |
| Kwok Chi Po (“Mr. Kwok”) | Interest in controlled corporation/ beneficial owner (Note 2) | 16,406,400 | Long | 4.27% |
| Leung Chi Tien Steve (“Mr. Leung”) | Interest in controlled corporation (Note 3) | 96,408,800 | Long | 25.11% |
| Chan Siu Wan (“Ms. Chan”) | Interest of spouse (Note 4) | 96,408,800 | Long | 25.11% |

Notes:

- (1) Among the 75,268,800 shares, 60,000,000 shares and 11,176,800 shares were held by Perfect Emperor Limited and Inner Horizon Limited respectively which is respectively wholly owned by Mr. Kwan. As such, Mr. Kwan was deemed to be interested in all the shares held by Perfect Emperor Limited and Inner Horizon Limited pursuant to Part XV of the SFO. The remaining 4,092,000 shares were beneficially held by Mr. Kwan.

- (2) Among the 16,406,400 shares, 15,362,400 shares were held by P.S Hospitality Limited which is wholly owned by Mr. Kwok. As such, Mr. Kwok was deemed to be interested in all the shares held by P.S Hospitality Limited pursuant to Part XV of the SFO. The remaining 1,044,000 shares were beneficially held by Mr. Kwok.
- (3) Among the 96,408,800 shares, 73,728,800 shares were held by Sino Explorer Limited (“**Sino Explorer**”) and 22,680,000 shares were held by All Victory Global Limited (“**All Victory**”). Both Sino Explorer and All Victory are wholly owned by 1957 & Co. Limited, which is in turn wholly owned by Mr. Leung. As such, Mr. Leung was deemed to be interested in all the shares held by Sino Explorer and All Victory pursuant to Part XV of the SFO.
- (4) Ms. Chan is the spouse of Mr. Leung and was deemed to be interested in the same number of shares held by Mr. Leung.

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this announcement, 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 2021, 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 (%) |
|--|---|---------------------|----------------------------|--|
| Kwan Wai Ling Alicia | Interest of spouse (Note 1) | 75,268,800 | Long | 19.60% |
| 1957 & Co. Limited | Interest in controlled corporation (Note 2) | 96,408,800 | Long | 25.11% |
| All Victory Global Limited | Beneficial owner (Note 2) | 22,680,000 | Long | 5.91% |
| Sino Explorer Limited | Beneficial owner (Note 2) | 73,728,800 | Long | 19.20% |
| Leung Shuk Yee Winnie ("Ms. Leung") | Interest in controlled corporation (Notes 3 & 4) | 19,764,000 | Long | 5.15% |
| Pearl Global Development Limited | Beneficial owner (Note 3) | 19,764,000 | Long | 5.15% |
| Perfect Emperor Limited | Beneficial owner | 60,000,000 | Long | 15.63% |
| Poon Hok Ming ("Mr. Poon") | Interest of spouse (Note 4) | 19,764,000 | Long | 5.15% |

Notes:

- (1) Ms. Kwan Wai Ling Alicia is the spouse of Mr. Kwan and was deemed to be interested in the same number of shares held by Mr. Kwan.
- (2) 1957 & Co. Limited holds 100% of equity interest of Sino Explorer and All Victory. Accordingly, 1957 & Co. Limited was deemed to be interested in 73,728,800 shares held by Sino Explorer and 22,680,000 shares held by All Victory.
- (3) Ms. Leung holds 99.99% of equity interest in Pearl Global Development Limited. Therefore, she was deemed to be interested in 19,764,000 shares held by Pearl Global Development Limited.
- (4) Mr. Poon is the husband of Ms. Leung and was deemed to be interested in the same number of shares held by Ms. Leung.

Save as disclosed above, as at 30 June 2021, 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.

SHARE OPTION SCHEME

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

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

The Share Option Scheme will remain in force for a period of ten years commencing on 6 November 2017. For more details, please refer to the section headed ‘Statutory and General Information — Share Option Scheme’ in Appendix IV of the Prospectus. The remaining life of the Share Option Scheme is approximately 6 years and 3 months.

Up to 30 June 2021, 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.

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 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 Six-Month Review Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

CHANGE TO DIRECTORS’ INFORMATION

Mr. Ng Wai Hung, the independent non-executive Director, is also the independent non-executive director of Xinyi Electric Storage Holdings Limited (Stock code: 8328), its company name was changed from Xinyi Automobile Glass Hong Kong Enterprises Limited to Xinyi Electric Storage Holdings Limited with effect from 10 February 2021.

Mr. Ng also confirmed that the training requirement as mentioned in the announcement of the Company dated 27 May 2021 is expected to be fulfilled by 11 August 2021 unless there is any change in the course schedule.

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2021. 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 2021 are unaudited and have not been audited or reviewed by the Company’s auditors.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 and up to the date of this announcement.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2021.

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 2021.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the GEM Listing Rules will be despatched to the Shareholders and will also be available for viewing on the website of Stock Exchange at www.hkexnews.hk and on the website of the Company at www.1957.com.hk.

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

Hong Kong, 5 August 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.

The announcement will remain on the “Latest Listed Company Information” page of the website of GEM of the Stock Exchange at www.hkgem.com for at least 7 days from the date of publication and on the Company’s website at www.1957.com.hk.