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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 2021:

- the Group recorded revenue of approximately HK\$394.2 million, representing an increase of approximately 23.0% as compared to the corresponding year ended 31 December 2020;
- the Group received the government grants in the amount of approximately HK\$5.1 million during the year;
- the Group recorded a decrease in impairment loss on property, plant and equipment of approximately HK\$8.9 million incurred by three restaurants, namely Ta-ke Japanese Restaurant (“**Ta-ke**”), Mango Tree Café (Yoho) Restaurant, Mango Tree (Kowloon) Restaurant;
- the Group recorded a reversal of impairment loss on property, plant and equipment of approximately HK\$4.1 million for a restaurant which had made a turnaround profit for year 2021;
- the Group recorded an adjusted profit before income tax of approximately HK\$24.0 million (2020: adjusted loss of HK\$24.2 million) before the effects of (reversal) of/impairment loss on property, plant and equipment and the government grants received; and
- the Group recorded profit attributable to the owners of the Company of approximately HK\$13.2 million (2020: loss of HK\$12.9 million).

RESULTS

The Directors are pleased to announce the consolidated results of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	394,185	320,452
Other gains and income, net	5	6,184	25,161
Cost of inventories sold		(115,486)	(91,709)
Employee benefit expenses		(126,465)	(110,664)
Depreciation and amortisation		(64,686)	(81,761)
Royalty fees		(5,981)	(4,571)
Rental expenses		(7,954)	(7,791)
Utilities		(8,685)	(9,188)
Impairment loss on property, plant and equipment		(10,500)	(19,400)
Reversal of impairment loss on property, plant and equipment		4,100	–
Other operating expenses	7	(38,137)	(33,813)
Operating profit/(loss)		26,575	(13,284)
Finance income		3	25
Finance costs		(2,932)	(4,964)
Finance costs, net	6	(2,929)	(4,939)
Share of losses of associates		(909)	(1,057)
Profit/(loss) before income tax		22,737	(19,280)
Income tax (expense)/credit	8	(3,816)	1,570
Profit/(loss) for the year		18,921	(17,710)
Profit/(loss) for the year attributable to:			
— Owners of the company		13,165	(12,909)
— Non-controlling interests		5,756	(4,801)
		18,921	(17,710)
Earnings/(losses) per share attributable to owners of the company for the year (HK cents)			
— Basic and diluted	10	3.43	(3.36)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year	18,921	(17,710)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
— Currency translation differences	83	241
— Share of other comprehensive income of associates accounted for using the equity method	79	184
Total comprehensive income/(loss) for the year	19,083	(17,285)
Total comprehensive income/(loss) for the year attributable to:		
— Owners of the company	13,326	(12,482)
— Non-controlling interests	5,757	(4,803)
	19,083	(17,285)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		70,468	117,522
Intangible assets		984	1,200
Deposits		3,439	–
Interest in associates		2,105	2,935
Deferred tax assets		10,756	12,201
		<u>87,752</u>	<u>122,858</u>
		<u>87,752</u>	<u>133,858</u>
Current assets			
Inventories		2,394	2,354
Trade receivables	<i>11</i>	6,614	4,812
Prepayments, deposits and other receivables		7,309	7,258
Amount due from an associate		102	78
Tax recoverable		392	1,522
Pledged bank deposits		7,036	7,035
Cash and cash equivalents		94,381	64,712
		<u>118,228</u>	<u>87,771</u>
		<u>118,228</u>	<u>87,771</u>
Total assets		<u>205,980</u>	<u>221,629</u>
		<u>205,980</u>	<u>221,629</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		(25)	(186)
Accumulated losses		(32,360)	(45,525)
		<u>65,650</u>	<u>52,324</u>
		<u>65,650</u>	<u>52,324</u>
Non-controlling interest		<u>7,217</u>	<u>4,050</u>
		<u>7,217</u>	<u>4,050</u>
Total equity		<u>72,867</u>	<u>56,374</u>
		<u>72,867</u>	<u>56,374</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		18,280	50,722
Provision for reinstatement costs		500	–
		<u>18,780</u>	<u>50,722</u>
Current liabilities			
Trade payables	<i>13</i>	21,406	16,770
Accruals and other payables		27,208	19,504
Lease liabilities		49,053	57,965
Contract liabilities		1,196	800
Income tax payable		2,038	448
Loans from non-controlling shareholders	<i>15</i>	7,600	7,600
Bank borrowings	<i>14</i>	5,832	11,446
		<u>114,333</u>	<u>114,533</u>
Total liabilities		<u>133,113</u>	<u>165,255</u>
Total equity and liabilities		<u>205,980</u>	<u>221,629</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 33/F., Times Tower, 391–407 Jaffe 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 disclosure requirements of HKCO*

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure 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*

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 HKFRS 16	Interest Rate Benchmark Reform — Phase 2 (amendments) Covid-19-Related Rent Concessions (amendments)
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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 2021 or later periods, but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
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 HKAS 16	Property, Plant and Equipment (amendments)	1 January 2022
Amendment to HKFRS 37	Provisions, Contingent Liabilities and Contingent Assets (amendments)	1 January 2022
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (amendments)	1 April 2021
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
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
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 January 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 January 2023
HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendments)	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 2021

	Operation of restaurants <i>HK\$’000</i>	Catering management and consultancy services <i>HK\$’000</i>	Total <i>HK\$’000</i>
Total segment revenue	392,164	25,560	417,724
Inter-segment revenue	–	(23,539)	(23,539)
	<u>392,164</u>	<u>2,021</u>	<u>394,185</u>
Revenue from external customers	392,164	2,021	394,185
Result			
Segment profit	<u>40,925</u>	<u>1,375</u>	42,300
Other gains and income, net			6,184
Unallocated staff costs			(20,036)
Unallocated depreciation and amortisation			(2,172)
Unallocated utilities and consumables			(20)
Unallocated other expenses			(2,610)
Share of losses of associates			(909)
Profit before income tax			<u>22,737</u>
Other segment items			
Depreciation and amortisation	(62,514)	–	(62,514)
Impairment loss on property, plant and equipment	(10,500)	–	(10,500)
Reversal of impairment loss on property, plant and equipment	4,100	–	4,100
Finance income	1	2	3
Finance costs	(2,902)	(30)	(2,932)

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	<u>–</u>	<u>(19,007)</u>	<u>(19,007)</u>
Revenue from external customers	<u><u>318,950</u></u>	<u><u>1,502</u></u>	<u><u>320,452</u></u>
Result			
Segment (loss)/profit	<u><u>(2,435)</u></u>	<u><u>1,458</u></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><u>(19,280)</u></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>

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 2021 (2020: same).

Segment assets and liabilities

At 31 December 2021

	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>
Segments assets	226,943	59,670	12,855	(95,593)	203,875
Interest in associates	–	–	2,105	–	2,105
	<u>226,943</u>	<u>59,670</u>	<u>14,960</u>	<u>(95,593)</u>	<u>205,980</u>
Segment liabilities	<u>179,668</u>	<u>43,412</u>	<u>5,626</u>	<u>(95,593)</u>	<u>133,113</u>

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

4 REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Operation of restaurants, recognised at a point in time	392,164	318,950
Catering management and consultancy services, recognised overtime	<u>2,021</u>	<u>1,502</u>
	<u><u>394,185</u></u>	<u><u>320,452</u></u>

5 OTHER GAINS AND INCOME, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grants	5,125	24,340
Net (loss)/gain on disposal of property, plant and equipment	(22)	92
Sundry income	<u>1,081</u>	<u>729</u>
	<u><u>6,184</u></u>	<u><u>25,161</u></u>

Amounts from Catering Business (Social Distancing) Subsidy Scheme of HK\$5,125,000 were recognised for the year ended 31 December 2021 (2020: HK\$15,025,000). No amounts from Employment Support Scheme was recognised for the year ended 31 December 2021 (2020: HK\$9,315,000). There are no unfulfilled conditions or other contingencies attaching to these grants.

6 FINANCE COSTS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income		
Interest income	----- 3	----- 25
Finance costs		
Interest expenses on bank borrowings	(269)	(559)
Interest expenses on lease liabilities	<u>(2,663)</u>	<u>(4,405)</u>
	<u><u>(2,932)</u></u>	<u><u>(4,964)</u></u>
Finance costs, net	<u><u>(2,929)</u></u>	<u><u>(4,939)</u></u>

7 OTHER OPERATING EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
— Audit services	1,020	930
— Non-audit services	500	656
Advertising and promotion	866	879
Cleaning and laundry expenses	11,715	10,120
Credit card charges	6,408	5,768
Commission	2,148	2,263
Decoration, repairs and maintenance	2,292	1,995
Legal and professional fees	2,699	2,530
Entertainment	1,271	984
Event services fee	353	70
Telecommunication charges	246	252
Storage expenses	249	238
Motor vehicle expenses	220	218
Printing expenses	1,633	970
Restaurant supplies and consumables	5,205	4,937
Travelling expenses	896	266
Others	416	737
	<u>38,137</u>	<u>33,813</u>

8 INCOME TAX EXPENSE/(CREDIT)

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 2021 and 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current profits tax		
— Current income tax for the year	2,416	926
— Over provision in prior year	(45)	(47)
Deferred tax	<u>1,445</u>	<u>(2,449)</u>
Income tax expense/(credit)	<u>3,816</u>	<u>(1,570)</u>

9 DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

10 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 year.

	2021	2020
Profit/(loss) attributable to owners of the Company (<i>HK\$'000</i>)	13,165	(12,909)
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	384,000	384,000
Basic earnings/(losses) per share (<i>HK cents</i>)	<u>3.43</u>	<u>(3.36)</u>

(b) Diluted

Diluted earnings/(losses) per share for the years ended 31 December 2021 and 2020 were the same as the basic earnings/(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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	2,097	1,606
31 to 60 days	965	678
61 to 90 days	675	558
Over 90 days	<u>2,877</u>	<u>1,970</u>
	<u>6,614</u>	<u>4,812</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 2020 and 2021	3,800,000,000	380	–
Issued and fully paid:			
As at 1 January 2020, 31 December 2020 and 31 December 2021	384,000,000	38	100,980

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
1 to 30 days	11,203	7,453
31 to 60 days	9,982	9,174
61 to 90 days	7	20
Over 90 days	214	123
	<u>21,406</u>	<u>16,770</u>

14 BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Current</i>		
Bank borrowings	<u>5,832</u>	<u>11,446</u>

The Group's bank borrowings as at 31 December 2021 and 2020 were all denominated in HK\$.

As at 31 December 2021, the Group's bank borrowings were secured by corporate guarantees given by the Company (2020: same) and pledged bank deposits of HK\$5,026,000 (2020: HK\$5,025,000).

The weighted average effective interest rate of the bank borrowings as at 31 December 2021 was 3.0% per annum (2020: 3.5% per annum).

The carrying amounts of the Group's bank borrowings at 31 December 2021 and 2020 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	4,968	5,613
Between 1 and 2 years	864	5,833
	<u>5,832</u>	<u>11,446</u>

The Group did not breach any bank covenant during the year ended 31 December 2021 (2020: none).

15 LOANS FROM NON-CONTROLLING SHAREHOLDERS

	2021 <i>HK\$'000</i>	2020 <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>)	2,900	2,900
	<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 inflow. 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 2021, 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 People's Republic of China (the "PRC").

INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Government of Hong Kong on 7 February 2022, the value of total receipts of the restaurants sector was provisionally estimated at HK\$92.7 billion for the whole year of 2021, representing an increase of approximately 16.8% in value and 14.8% in volume compared with the whole year of 2020. Over the same period, the provisional estimate of the value of total purchases of restaurants increased by approximately 16.8% to approximately HK\$30.2 billion.

Analysed by type of restaurant and comparing the whole year of 2021 with the whole year of 2020, total receipts of Chinese restaurants increased by 18.3% in value and 16.4% in volume. Total receipts of non-Chinese restaurants increased by 23.1% in value and 20.7% in volume. Total receipts of fast food shops increased by 8.6% in value and 6.4% in volume. Total receipts of bars decreased by 0.2% in value, but increased by 6.9% in volume. As for miscellaneous eating and drinking places, total receipts increased by 12.3% in value and 10.5% in volume.

A Government spokesman said that business of restaurants continued to improve in the fourth quarter of 2021, thanks to the stable local epidemic situation, improved labour market conditions and the Consumption Voucher Scheme. The value of total restaurant receipts increased markedly by 29.1% in the fourth quarter of 2021 over a low base of comparison a year ago. On a seasonally adjusted quarter-to-quarter comparison, it increased further by 1.6%. For 2021 as a whole, the value of total restaurant receipts rebounded by 16.8% over the low base of comparison in 2020, but still visibly below the pre-pandemic levels.

The spokesman further pointed out that the latest figures indicated the situation up to end of 2021 only. Since entering 2022, business of restaurants has been under renewed pressure due to the latest wave of local epidemic and the tightened social distancing measures in response. The latest round of measures under the Anti-epidemic Fund will provide some timely relief but the business outlook for restaurants in the coming months would hinge crucially on the developments of the local epidemic situation. It is thus essential for the community to work together with the Government to put the local epidemic under control as swiftly as possible.

The 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 2021, the Group has not opened any new restaurant in Hong Kong. As mentioned in the annual report of 2020, we have surrendered the lease of a restaurant in Yoho Mall on 30 November 2020 before its expiry in May 2021 in order to cut further losses expected to be incurred by this restaurant.

Nevertheless, three tenancy agreements have been executed by the landlords and renewed for:

- (a) an existing Shanghainese cuisine restaurant (where our Modern Shanghai Restaurant is located) 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 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 Cityplaza, the expiry of lease had been extended from 19 October 2021 to 19 April 2023.

As at 31 December 2021, 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 2021, none of our restaurants had undergone significant renovation.

The PRC

As at 31 December 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.

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 the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres, the existing resources available to the Group 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 or concepts with proven track records, lower capital expenditures and/or more favourable rental package. 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 2021, 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 2021, the Group was operating twelve (2020: twelve) restaurants, of which no (2020: no) restaurant was newly opened and no (2020: one) restaurant was closed down during the year.

The revenue increased by approximately 23.0% from approximately HK\$320.5 million for the year ended 31 December 2020 to approximately HK\$394.2 million for the year ended 31 December 2021. 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. During the first quarter of 2021, the situation has improved as the infected cases of COVID-19 were maintained at a relatively low level in Hong Kong and there was partial relaxation of anti-epidemic measures, such as to extend the dine-in services at restaurants till 10 p.m. and seat up to four persons per table from 18 February 2021 onwards, which resulted in considerable improvement in revenue of the Group for the remaining of 2021.

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			
	2021		2020	
	Revenue	% of total revenue from operation of restaurant <i>approximately</i>	Revenue	% of total revenue from operation of restaurant <i>approximately</i>
	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>
Shanghainese	113,737	29.0	84,037	26.3
Japanese	100,184	25.6	81,621	25.6
Thai	79,499	20.3	61,091	19.2
Vietnamese	52,719	13.4	49,660	15.6
Italian	46,025	11.7	42,541	13.3
Total revenue from operation of restaurants in Hong Kong	<u>392,164</u>	<u>100.0</u>	<u>318,950</u>	<u>100.0</u>

Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants increased by approximately HK\$29.7 million, or approximately 35.4%, from approximately HK\$84.0 million for the year ended 31 December 2020 to approximately HK\$113.7 million for the year ended 31 December 2021. The increase in revenue was 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, as a result the sales revenue was bounded up quickly.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK\$18.6 million, or approximately 22.8%, from approximately HK\$81.6 million for the year ended 31 December 2020 to approximately HK\$100.2 million for the year ended 31 December 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, as a result the sales revenue was bounded up quickly.

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants increased by approximately HK\$18.4 million, or approximately 30.1%, from approximately HK\$61.1 million for the year ended 31 December 2020 to approximately HK\$79.5 million for the year ended 31 December 2021. The revenue was stimulated by lots of marketing promotions, discounted offers to customers and the subsequent partial relaxation of anti-epidemic measures as mentioned above, as a result the sales revenue was bounded up quickly.

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants increased by approximately HK\$3.0 million, or approximately 6.0%, from approximately HK\$49.7 million for the year ended 31 December 2020 to approximately HK\$52.7 million for the year ended 31 December 2021. Such increase was the combined effect of the increased revenue contribution from our existing restaurants in 2021 during the subsequent partial relaxation in anti-epidemic measures as mentioned above net off by the drop in revenue contribution from Petit An Nam (Yoho Midtown) Restaurant which was closed in November 2020.

Italian-style restaurant

The revenue generated from operation of Italian-style restaurant increased by approximately HK\$3.5 million, or approximately 8.2%, from approximately HK\$42.5 million for the year ended 31 December 2020 to approximately HK\$46.0 million for the year ended 31 December 2021. Such increase was mainly contributed by the increase in the pedestrian flow of the shopping mall where the restaurant was located with a generous promotion.

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\$91.7 million and HK\$115.5 million for each of the years ended 31 December 2020 and 2021, respectively, representing approximately 28.7% and 29.4% of the Group's total revenue generated from operation of restaurants for the corresponding year. The cost of inventories sold as a percentage of revenue increased was 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 represents one of the largest components of the operating expenses of the Group. The staff costs increased from approximately HK\$110.7 million for the year ended 31 December 2020 to approximately HK\$126.5 million for the year ended 31 December 2021, representing an increase of approximately 14.3% in comparison. Such increase was mainly due to the additional labour forces required and the bonus provision for coping with the increased revenue.

Due to the general increase in labour costs in Hong Kong and the salary level of employees in the catering industry in Hong Kong 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\$81.8 million and HK\$64.7 million for the years ended 31 December 2020 and 2021, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment, motor vehicle and intangible asset. The decrease in such expenses was mainly contributed by impairment loss recognised in previous years.

The depreciation charged on the right-of-use assets amounted to approximately HK\$58.1 million and HK\$49.1 million for the years ended 31 December 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\$18.9 million and HK\$12.6 million, for the years ended 31 December 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 term.

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\$10.5 million (2020: HK\$19.4 million) for the year ended 31 December 2021. 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.

Reversal of impairment loss on property, plant and equipment

The Group recorded a reversal of impairment loss on property, plant and equipment of approximately HK\$4.1 million (2020: Nil) for the year ended 31 December 2021. Taking into consideration the better performance and profit making of a restaurant recorded in 2021 (as compared to loss making in 2020) and had recovered certain of its accumulated losses during the year and it had a sign to recover more accumulated losses in the foreseeable period of its lease terms, partial reversal of impairment loss on property, plant and equipment was recorded.

Rental expenses

The rental expenses, which mainly represent turnover rent and government rates, for the year ended 31 December 2021 amounted to approximately HK\$8.0 million, representing an increase of approximately 2.6% as compared with that of the year ended 31 December 2020 which amounted to approximately HK\$7.8 million. The increase was mainly contributable by the increase in turnover rent payment resulted from the increased revenue of our Shanghainese-style restaurants 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 2020 and 2021, the total utility expenses amounted to approximately HK\$9.2 million and HK\$8.7 million, respectively.

Income tax expenses

The Group recorded income tax expenses of approximately HK\$3.8 million (2020: income tax credit of approximately HK\$1.6 million). Such increase was mainly due to the increase in revenue and the profit recorded for the year.

Profit/(loss) for the year

The Group recorded a profit of approximately HK\$18.9 million for the year ended 31 December 2021 as compared to a loss of approximately HK\$17.7 million for the corresponding year in 2020. The profit/(loss) for the year included the government grants in the amount of approximately HK\$5.1 million (2020: HK\$24.3 million) received by the Group during the year.

The profit was mainly attributable to the combined effects of (i) the increase in the revenue of approximately HK\$73.7 million for the year as compared to the same period in 2020 given that the pandemic situation and the dining restrictions in 2021 in Hong Kong were improved or eased, as the case may be, as compared to 2020; (ii) the partial reversal of impairment loss on property, plant and equipment in the amount of approximately HK\$4.1 million for a restaurant in which had made a turnaround profit for year 2021; and (iii) the reduction of impairment loss on property, plant and equipment by approximately HK\$8.9 million in 2021 for three restaurants (2020: four restaurants at approximately HK\$19.4 million), and the impacts were partially offset by (i) the reduction in government grants; and (ii) the corresponding increase in cost of inventories sold and staff costs as a result of the improvement in business of our restaurants.

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.

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 2021, 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 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, the existing resources available to the Group 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 or concepts with proven track records, lower capital expenditures and/or more favourable rental package. Currently, the Group is in the advanced stage of discussions with a few landlords regarding the leasing of certain units in shopping malls for restaurant operation. The transaction(s) may or may not materialise, and if the transaction(s) is/are materialised, the Group will comply with the relevant requirements under the GEM Listing Rules accordingly. On the other hand, in view of the improvement in the performance of the invested restaurants 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. However, none of such plans had been materialised as at the date of this announcement. The Company will comply with the relevant disclosure 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, bank borrowings and contribution from associates/joint venture partners, if any. Nevertheless, the Group will continue to be cautious in further expanding our business by exercising due care and examining adequate opportunities and planning for the opening and investing in new restaurants.

COMPARISON OF BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress for the period from 5 December 2017 (being the date on which the Company's shares were listed on GEM of the Stock Exchange) (the "Listing Date") to 31 December 2021 is set out below:

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2021
1.	Continue to develop our brand portfolio and expand our restaurant network	Settled certain costs for Paper Moon Restaurant
	Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong	10 Shanghai Restaurant has opened in January 2018
	Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong	Ta-ke Japanese Restaurant has opened in March 2018
	Set up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou	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

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2021
1.	Continue to develop our brand portfolio and expand our restaurant network (Continued)	
	Set up a restaurant under the Mango Tree brand and set up a restaurant under the Mango Tree Café brand in shopping mall in Guangzhou	Guangzhou Mango Tree Food & Beverage Co. Ltd. operated a restaurant, namely 芒果樹(K11店), which 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), which was set up and opened in Guangzhou La Perle shopping mall during September 2019
	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
	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

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2021	
2.	Further develop our restaurant pre-opening consultancy and management consultancy services in the PRC	Identify new sources of the PRC clients	Negotiating for the new pre-opening consultancy contract in the 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 2020 to 31 December 2021.

Cash position

As at 31 December 2021, the cash and cash equivalents of the Group amounted to approximately HK\$94.4 million (2020: HK\$64.7 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 45.9% as compared to that as at 31 December 2020. The increase was mainly due to the 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 2021, the total bank borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$5.8 million (2020: HK\$11.4 million) that bear floating interest rates from 2.7% to 3.5% per annum (2020: 2.8% to 4.6%). 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 2021, 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 (2020: HK\$7.6 million) that were interest-free and repayable when the respective restaurants have achieved net profit/net cash inflow.

Save as disclosed, the Group did not have other borrowings for the years ended 31 December 2021 and 2020.

Pledge

As at 31 December 2021, 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 (2020: HK\$7.0 million).

Gearing ratio

As at 31 December 2021, the gearing ratio of the Group was approximately 18.4% (2020: 33.8%). The resulted decrease was mainly attributable to the effect of the repayment of bank borrowings and the increased total equity generated from operating activities 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 2021 were approximately HK\$106,000 (2020: HK\$15,000).

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 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

The Group did not have any capital expenditure contracted for but not yet incurred as at 31 December 2021 and 2020.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in Hong Kong Dollars. 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 2020 and 2021, the Group considers there have no significant foreign exchange risks in respect of RMB for both years.

FUNDING AND TREASURY POLICIES AND RISK MANAGEMENT

The Group finances its operation and capital expenditures through a combination of internal resources, bank borrowing and/or equity fund raising with an aim to maintain a healthy financial position and sustainable capital structure. The Group closely monitors its cash level, borrowing portfolio and market interest rates in order to arrive at an adequate borrowing portfolio. In view of the daily liquidity need of the catering business, the Group mainly maintains its cash and cash equivalents in saving and current accounts or short term fixed deposits. The Group also reviews, from time to time, the need of entering into hedging activities, while during the year ended 31 December 2021, no hedging financial instrument had been acquired or disposed of by the Group. As at 31 December 2021, 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 2021, 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 2021, the total number of full-time and part-time employees of the Group was 403 (2020: 355). Total staff costs (including Directors' emoluments) were approximately HK\$126.5 million for the year ended 31 December 2021 (2020: HK\$110.7 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 2021, 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 and 2021, all the planned investment projects were temporarily suspended in 2020 and 2021. While, taking into account of the latest economic development, change in consumer spending pattern, increase in vacancy rate of shopping centres, latest available resources of the Group and the fact that the Group has been more cautious in evaluating its expansion plans, the Group may consider opening new restaurants with different concepts or concepts with proven track records, lower capital expenditures and/or more favourable rental package. Currently, the Group is in the advanced stage of discussions with a few landlords regarding the leasing of certain units in shopping malls for restaurant operation. The transaction(s) may or may not materialise, and if the transaction(s) is/are materialised, the Group will comply with the relevant requirements under the GEM Listing Rules accordingly. On the other hand, in view of the improvement in the performance of the invested restaurants 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.

Since entering 2022, business of restaurants has been under renewed pressure due to the latest wave of local epidemic and the tightened social distancing measures in response. The latest round of measures under the Anti-epidemic Fund will provide some timely relief. Business outlook for restaurants in the coming months would hinge crucially on the developments of the local epidemic situation. It is thus essential for the community to work together with the Government to put the local epidemic under control as swiftly as possible.

The 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.

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 maximising 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 (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 2021, 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.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Group has been affected greatly by the COVID-19 in Hong Kong since January 2022, with a significant reduction in the number of customers visiting the Group's restaurants. The Directors do not currently have a view as to how long the current situation will continue, and therefore, it is not possible, at this stage, to quantify the overall financial impact for the entire COVID-19 to the Group. In performing impairment assessment of property, plant and equipment (the "PPE") for this set of financial statements, the Group estimated the present value of future cash flows of the cash generating units (the "CGUs") based on the conditions as at 31 December 2021. In the PPE impairment test to be performed in 2022, COVID-19 and its impact on the present value of estimated future cash flows of the CGUs will be further considered.

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 2021. 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 2021 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 recognises 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, 17 March 2022

As of 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 GEM website 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.