



1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

Third Quarterly Report 2021



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

Financial Highlights

During the nine months ended 30 September 2021:

- the Group recorded unaudited revenue of approximately HK\$288.2 million (2020: HK\$229.0 million), representing an increase of approximately 25.9% as compared to the corresponding period ended 30 September 2020;
- the Group received the government grants in the amount of approximately HK\$5.1 million (2020: HK\$15.7 million);
- the Group recorded an unaudited adjusted profit before tax and government grants of approximately HK\$8.3 million (2020: adjusted loss of HK\$25.0 million); and
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$9.5 million (2020: loss of HK\$7.8 million).

During the three months ended 30 September 2021:

- the Group recorded unaudited revenue of approximately HK\$101.6 million (2020: HK\$70.6 million), representing an increase of approximately 43.9% as compared to the corresponding period ended 30 September 2020;
- the Group did not receive any government grant (2020: HK\$10.7 million);
- the Group recorded an unaudited adjusted profit before tax and government grants of approximately HK\$3.6 million (2020: adjusted loss of HK\$12.7 million); and
- the Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$2.3 million (2020: loss of HK\$1.3 million).

Condensed Consolidated Income Statement

For the three months and nine months ended 30 September 2021

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2021, together with the unaudited comparative figures for the corresponding periods in 2020, as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2021	2020	2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	101,622	70,606	288,232	229,031
Other gains and income, net	4	26	11,010	6,093	16,075
Cost of inventories sold		(29,646)	(20,945)	(84,577)	(64,789)
Employee benefit expenses		(32,372)	(27,773)	(90,494)	(82,868)
Depreciation and amortisation		(19,243)	(20,761)	(56,555)	(62,094)
Royalty fees		(1,529)	(948)	(4,386)	(3,170)
Rental expenses		(1,840)	(2,057)	(5,762)	(5,357)
Utilities		(2,529)	(2,108)	(7,206)	(6,802)
Other operating expenses	5	(10,275)	(7,996)	(29,028)	(24,833)
Operating profit/(loss)		4,214	(972)	16,317	(4,807)
Finance income		–	1	1	18
Finance costs		(689)	(1,131)	(2,283)	(3,965)
Finance costs, net	6	(689)	(1,130)	(2,282)	(3,947)
Share of profits/(losses) of associates		41	67	(660)	(574)
Profit/(loss) before income tax		3,566	(2,035)	13,375	(9,328)
Income tax (expense)/credit	7	(543)	132	(1,569)	(146)
Profit/(loss) for the period		3,023	(1,903)	11,806	(9,474)
Profit/(loss) for the period attributable to:					
— Owners of the Company		2,277	(1,284)	9,452	(7,770)
— Non-controlling interests		746	(619)	2,354	(1,704)
		3,023	(1,903)	11,806	(9,474)
Earnings/(losses) per share attributable to owners of the Company for the period (HK cents)					
— Basic and diluted	9	0.59	(0.33)	2.46	(2.02)

Condensed Consolidated Income Statement

For the three months and nine months ended 30 September 2021

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit/(loss) for the period	3,023	(1,903)	11,806	(9,474)
Other comprehensive (loss)/income <i>Items that may be reclassified to profit or loss</i>				
— Currency translation differences	(492)	210	72	172
Total comprehensive income/(loss) for the period	2,531	(1,693)	11,878	(9,302)
Total comprehensive income/(loss) for the period attributable to:				
— Owners of the Company	1,836	(1,081)	9,523	(7,591)
— Non-controlling interests	695	(612)	2,355	(1,711)
	2,531	(1,693)	11,878	(9,302)

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2021

	Attributable to the owners of the Company					Total	Non-controlling interest	Total equity
	Share Capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(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	-	-	-	-	(7,770)	(7,770)	(1,704)	(9,474)
Other comprehensive income/(loss)								
Currency translation differences	-	-	-	179	-	179	(7)	172
Total comprehensive income/(loss)	-	-	-	179	(7,770)	(7,591)	(1,711)	(9,302)
Balance at 30 September 2020	38	100,980	(2,983)	(434)	(40,386)	57,215	8,122	65,337
(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	-	-	-	-	9,452	9,452	2,354	11,806
Other comprehensive income								
Currency translation differences	-	-	-	71	-	71	1	72
Total comprehensive income	-	-	-	71	9,452	9,523	2,355	11,878
Balance at 30 September 2021	38	100,980	(2,983)	(115)	(36,073)	61,847	6,405	68,252

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 February 2016 as an exempted company with limited liability under Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is 33/F, Times Tower, 391-407 Jaffe Road, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in operation of restaurants and catering management and consultancy services.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements of the Group for the nine months ended 30 September 2021 (the “**Consolidated Financial Results**”) have been prepared in accordance with the accounting principles generally accepted in Hong Kong issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The Consolidated Financial Results 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**”) and requirements of the Hong Kong Companies Ordinance Cap.622.

The Consolidated Financial Results 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 Consolidated Financial Results 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 adopted the following new standards, interpretation and amendments to standards which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2021:

Amendments to HKAS39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 (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 the Consolidated Financial Result.

Notes to the Condensed Consolidated Financial Statements

3 REVENUE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	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	100,529	70,236	285,362	227,934
Catering management and consultancy services, recognised overtime	1,093	370	2,870	1,097
	101,622	70,606	288,232	229,031

4 OTHER GAINS AND INCOME, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	–	10,689	5,125	15,654
Sundry income	26	321	968	421
	26	11,010	6,093	16,075

Notes to the Condensed Consolidated Financial Statements

5 OTHER OPERATING EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Auditor's remuneration	299	317	930	1,000
Advertising and promotion	205	155	646	662
Cleaning and laundry expenses	3,122	2,541	8,595	7,539
Credit card charges	1,635	1,217	4,752	4,124
Commission	545	614	1,653	1,736
Decoration, repairs and maintenance	631	344	1,771	1,451
Entertainment expenses	320	228	997	783
Legal and professional fees	646	685	2,343	2,370
Paper and related supplies	452	613	1,499	1,582
Printing expenses	333	203	1,027	668
Restaurant supplies and consumables	848	713	2,415	1,897
Miscellaneous	1,239	366	2,400	1,021
	10,275	7,996	29,028	24,833

6 FINANCE COSTS, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Finance income				
Interest income	–	1	1	18
Finance costs				
Interest expenses on bank borrowings	(63)	(105)	(219)	(462)
Interest expenses on lease liabilities	(626)	(1,026)	(2,064)	(3,503)
	(689)	(1,131)	(2,283)	(3,965)
Finance costs, net	(689)	(1,130)	(2,282)	(3,947)

Notes to the Condensed Consolidated Financial Statements

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 nine months ended 30 September 2021.

8 DIVIDEND

No dividend has been paid or declared by the Company for the nine months ended 30 September 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 30 September		For the nine months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	2,277	(1,284)	9,452	(7,770)
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)	0.59	(0.33)	2.46	(2.02)

(b) Diluted

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

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 nine months ended 30 September 2021 (the “**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, Shanghaiese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provides 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 begun to recover in certain extent as the infected cases of Coronavirus Disease 2019 (the “**COVID-19**”) had maintained at a relatively lower level since late February 2021 in Hong Kong and there was partial relaxation of various anti-epidemic measures, such as to extend the dine-in services hours at restaurants and to resume more seating capacity for certain restaurants according to the restaurant classifications. Together with the impact of the launch of the Consumption Voucher Scheme (“**CVS**”) by the government, it resulted in considerable improvement in the catering sector since the threat of the COVID-19 infection as the past regulations had 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 policies on the subject matter as the inbound tourism remains at a standstill. Therefore, keeping the epidemic under control with the concerted effort of the whole community is of pivotal importance to the recovery of 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 September 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 Review Period, 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. During the third quarter of 2021, further relaxations were effected for certain restaurant classifications. On the other hand, we launched a lot of promotions to cope with this resumption and the CVS, the revenue was bounded up quickly during the rest of the first quarter, the entire second quarter and the third quarter of 2021.

However, the closure of the border checkpoints was still in force in the 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 most mainland visitors and affected the food and beverage business of Hong Kong.

Management Discussion and Analysis

During the 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 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.

The PRC

As at 30 September 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 Review Period, the revenue of these restaurants were climbing on the healthy track accordingly. The Group recorded an improved performance in its PRC restaurants for the three months ended 30 September 2021 compared to the previous quarters. 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.

FINANCIAL REVIEW

Revenue

During the 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 September 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 for the Review Period in Hong Kong.

The revenue increased by approximately 25.9% from approximately HK\$229.0 million for the nine months ended 30 September 2020 to approximately HK\$288.2 million for the nine months ended 30 September 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 had maintained at a relatively lower 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 the Review Period.

Management Discussion and Analysis

The Group served mainly five different cuisines during the 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 nine months ended 30 September			
	2021		2020	
	Revenue HK\$'000	% of total revenue (%)	Revenue HK\$'000	% of total revenue (%)
Shanghainese	78,585	27.5	58,199	25.5
Japanese	75,494	26.5	57,625	25.3
Thai	58,274	20.4	44,746	19.6
Vietnamese	39,482	13.8	37,464	16.4
Italian	33,527	11.8	29,900	13.2
Total	285,362	100.0	227,934	100.0

Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants increased by approximately HK\$20.4 million, or approximately 35.1%, from approximately HK\$58.2 million for the nine months ended 30 September 2020 to approximately HK\$78.6 million for the nine months ended 30 September 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\$17.9 million, or approximately 31.1%, from approximately HK\$57.6 million for the nine months ended 30 September 2020 to approximately HK\$75.5 million for the nine months ended 30 September 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\$13.6 million, or approximately 30.4%, from approximately HK\$44.7 million for the nine months ended 30 September 2020 to approximately HK\$58.3 million for the nine months ended 30 September 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\$2.0 million, or approximately 5.3%, from approximately HK\$37.5 million for the nine months ended 30 September 2020 to approximately HK\$39.5 million for the nine months ended 30 September 2021. Such increase was the combined effect of the increased revenue contribution from our existing restaurants in the period 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.

Management Discussion and Analysis

Italian-style restaurant

The revenue generated from operation of Italian-style restaurant increased by approximately HK\$3.6 million, or approximately 12.0%, from approximately HK\$29.9 million for the nine months ended 30 September 2020 to approximately HK\$33.5 million for the nine months ended 30 September 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\$84.6 million and HK\$64.8 million for each of the nine months ended 30 September 2021 and 2020, respectively, representing approximately 29.6% and 28.4% 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 was mainly contributable 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\$82.9 million for the nine months ended 30 September 2020 to approximately HK\$90.5 million for the nine months ended 30 September 2021, representing an increase of approximately 9.2% 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 increase as the food and beverage industry was recovering as 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

Depreciation and amortisation was approximately HK\$56.6 million and HK\$62.1 million for the nine months ended 30 September 2021 and 2020, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle. The decrease in depreciation was mainly contributed by the closure of our Petit An Nam (Yoho Midtown) restaurant in November 2020 and certain fully depreciated assets at our remaining restaurants compared to the corresponding period in 2020.

Rental expenses

The rental expenses for the nine months ended 30 September 2021 amounted to approximately HK\$5.8 million, representing an increase of approximately 7.4% as compared with that for the nine months ended 30 September 2020 which amounted to approximately HK\$5.4 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.

Management Discussion and Analysis

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 30 September 2021 and 2020, the total utility amounted to approximately HK\$7.2 million and HK\$6.8 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\$24.8 million for the nine months ended 30 September 2020 to approximately HK\$29.0 million for the nine months ended 30 September 2021, representing an increase of approximately 16.9%. 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\$0.1 million for nine months ended 30 September 2020 to approximately HK\$1.6 million for the nine months ended 30 September 2021. The increase was in line with an improvement in operating profit.

Finance costs

The Group's finance costs decreased from approximately HK\$4.0 million for the nine months ended 30 September 2020 to approximately HK\$2.3 million for the nine months ended 30 September 2021 principally due to the reduction of the interest expenses on lease liabilities resulted from the closure of the Petit An Nam (Yoho Midtown) restaurant in November 2020 and 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\$11.8 million for the nine months ended 30 September 2021 as compared to a loss of approximately HK\$9.5 million for the corresponding period in 2020. The profit/(loss) for the period included the government grants in the amount of approximately HK\$5.1 million (2020: HK\$15.7 million) received by the Group during the Review Period.

Management Discussion and Analysis

PROSPECT

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

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

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 of existing concepts for expansion purpose and 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 September 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 (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 September 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.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the 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 September 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 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%
Perfect Emperor Limited	Beneficial owner	60,000,000	Long	15.63%
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%
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.

Corporate Governance and Other Information

Save as disclosed above, as at 30 September 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.

Up to 30 September 2021, no share option has been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

Corporate Governance and Other Information

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 third quarterly results for the nine months ended 30 September 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 nine months ended 30 September 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 September 2021 and up to the date of this report.

DIVIDEND

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

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 30 September 2021.

PUBLICATION OF THIRD QUARTERLY REPORT

The third quarterly report of the Company 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, 4 November 2021

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