



# 1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

## Annual Report 2022



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AKANOSHOU



mango tree  
hong kong



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

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**Given that 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.**

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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.

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Chi Wing Kinson (*Chairman*)  
(appointed as Executive Director on 19 August 2022  
and as Chairman on 19 December 2022)  
Mr. Kwok Chi Po (*Chief Executive Officer*)  
Mr. Lau Ming Fai  
Ms. Tsui Ngan Fun (appointed on 19 December 2022)  
Ms. Lin Huiqin (appointed on 19 December 2022)  
Mr. Cai Weike (appointed on 19 August 2022  
and resigned on 19 December 2022)  
Mr. Kwan Wing Kuen Tino (resigned on 19 August 2022)

### Non-executive Directors

Mr. Chan Wai Fung (appointed on 19 August 2022)  
Mr. Leung Chi Tien Steve (resigned on 19 August 2022)  
Ms. Chan Siu Wan (resigned on 19 August 2022)

### Independent Non-executive Directors

Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)  
Mr. Huen, Felix Ting Cheung (appointed on 19 August 2022)  
Ms. Cheang Ana (appointed on 19 August 2022)  
Mr. How Sze Ming (resigned on 19 August 2022)  
Mr. Ng Wai Hung (resigned on 19 August 2022)  
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)

## AUDIT COMMITTEE

Mr. Huen, Felix Ting Cheung (*Chairman*)  
(appointed on 19 August 2022)  
Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)  
Ms. Cheang Ana (appointed on 19 August 2022)  
Mr. How Sze Ming (*Chairman*) (resigned on 19 August 2022)  
Mr. Ng Wai Hung (resigned on 19 August 2022)  
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)

## REMUNERATION COMMITTEE

Mr. Yim Hong Cheuk Foster (*Chairman*)  
(appointed on 19 August 2022)  
Mr. Huen, Felix Ting Cheung (appointed on 19 August 2022)  
Mr. Wong Chi Wing Kinson  
(appointed on 19 December 2022)  
Mr. Cai Weike (appointed on 18 November 2022  
and resigned on 19 December 2022)  
Mr. Kwok Chi Po (ceased to be a member on  
18 November 2022)  
Mr. Chan Kam Kwan Jason (*Chairman*)  
(resigned on 19 August 2022)  
Mr. How Sze Ming (resigned on 19 August 2022)

## NOMINATION COMMITTEE

Mr. Wong Chi Wing Kinson (*Chairman*)  
(appointed on 19 December 2022)  
Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)  
Ms. Cheang Ana (appointed on 19 August 2022)  
Mr. Cai Weike (*Chairman*) (appointed on 19 August 2022  
and resigned on 19 December 2022)  
Mr. Leung Chi Tien Steve (*Chairman*)  
(resigned on 19 August 2022)  
Mr. Ng Wai Hung (resigned on 19 August 2022)  
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)

## STRATEGIC DEVELOPMENT COMMITTEE

Mr. Wong Chi Wing Kinson (*Chairman*)  
(appointed as a member on 18 November 2022 and  
as Chairman on 19 December 2022)  
Mr. Kwok Chi Po (appointed on 18 November 2022)  
Mr. Lau Ming Fai (appointed on 18 November 2022)  
Ms. Tsui Ngan Fun (appointed on 19 December 2022)  
Ms. Lin Huiqin (appointed on 19 December 2022)  
Mr. Chan Wai Fung (appointed on 18 November 2022)  
Mr. Cai Weike (*Chairman*) (appointed on 18 November 2022  
and resigned on 19 December 2022)

## AUTHORISED REPRESENTATIVES

Mr. Tsang Ho Yin (appointed on 19 August 2022)  
Mr. Fong Chi Wing



# Corporate Information

## JOINT COMPANY SECRETARIES

Mr. Tsang Ho Yin (appointed on 19 August 2022)  
Mr. Fong Chi Wing

## COMPLIANCE OFFICER

Mr. Kwok Chi Po

## LEGAL ADVISERS

*as to Hong Kong law*  
**Stevenson, Wong & Co.**  
39/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*as to Cayman Islands and BVI law*  
**Conyers Dill & Pearman**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## AUDITOR

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F, Prince's Building Central,  
Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33/F, Times Tower  
391-407 Jaffe Road  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

**Conyers Trust Company (Cayman) Limited**  
P.O. Box 2681  
Cricket Square, Hutchins Drive  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

**Tricor Investor Services Limited**  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKERS

**The Hongkong and Shanghai Banking Corporation  
Limited**  
1 Queen's Road Central  
Hong Kong

**DBS Bank (Hong Kong) Limited**  
11/F, the Center  
99 Queen's Road Central  
Hong Kong

## COMPANY'S WEBSITE

[www.1957.com.hk](http://www.1957.com.hk)

## STOCK CODE

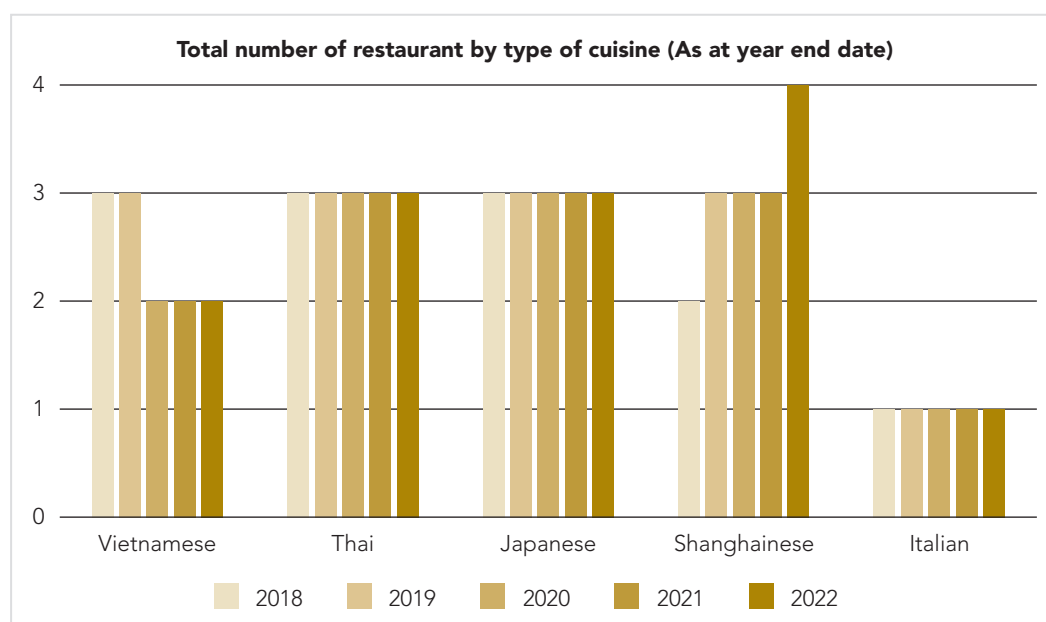
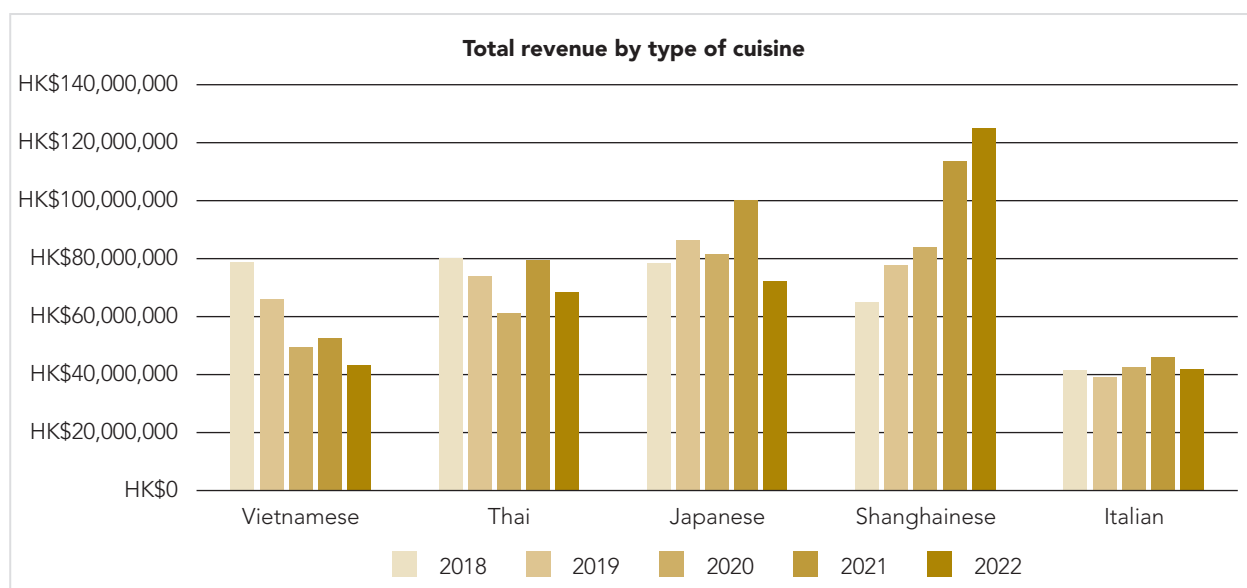
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## DATE OF LISTING

5 December 2017

# Financial Highlights

	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	<b>352,877</b>	394,185	320,452	345,736	348,538
(Loss)/profits before tax, (reversal) of/impairment loss on property, plant and equipment, impairment loss on trade receivables and government grants	<b>(11,577)</b>	24,012	(24,220)	(5,739)	(7,153)
Profits/(loss) before tax	<b>4,317</b>	22,737	(19,280)	(17,339)	(7,153)
Net (loss)/profit attributable to owners of the Company	<b>(533)</b>	13,165	(12,909)	(14,189)	(5,620)
Total assets	<b>251,523</b>	205,980	221,629	283,713	280,943
Total liabilities	<b>175,742</b>	133,113	165,255	209,074	198,986
Net assets	<b>75,781</b>	72,867	56,374	74,639	81,957



# Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to announce the Group's annual results for the year ended 31 December 2022.

This is the fifth full year after the Company has successfully listed its shares on GEM of the Stock Exchange by way of share offer in December 2017 (the "**Listing**").

The Group has adopted prudent and conservative approach in business expansion and cost control in view of extremely challenging business environment relating to the community outbreak of Coronavirus Disease 2019 (the "**COVID-19**") in Hong Kong since February 2020. The economy of Hong Kong has been severely affected in the past few years, especially under the fifth wave of COVID-19 outbreak in Hong Kong in early January 2022 and anti-epidemic measures imposed by the Hong Kong government.

Despite this, the Group holds a view that the situation should be overcome and retail business including food and beverage market will gradually resume to normal.

## CHANGE OF CONTROLLING SHAREHOLDER AND CHANGE OF THE BOARD

On 1 June 2022, Sino Explorer Limited, All Victory Global Limited, Mr. Kwan Wing Kuen Tino, P.S Hospitality Limited and Mr. Kwok Chi Po (collectively, the "**Vendors**") and Real Hero Ventures Limited ("**Real Hero**") entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which the Vendors conditionally agreed to sell, and Real Hero conditionally agreed to acquire, a total of 188,084,000 shares of the Company, representing approximately 48.98% of all the issued shares of the Company.

Following the completion of the Sale and Purchase Agreement which took place on 22 June 2022 ("**Completion**"), Real Hero became the controlling shareholder of the Company (the "**Offer**"). Real Hero made a mandatory conditional cash offer to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by Real Hero and parties acting in concert with it) after the Completion.

On 13 July 2022, a composite offer and response document was jointly issued by Real Hero and the Company in respect of the Offer. Immediately after the close of the Offer, and taking into account the 86,266,000 acceptance shares, the Real Hero's concert group is interested in a total of 274,350,000 shares, representing approximately 71.45% of all the issued shares of the Company.

On 19 August 2022, the Board announced that with effect from 19 August 2022, Mr. Leung Chi Tien Steve and Mr. Kwan Wing Kuen Tino resigned from the Board after the completion and the close of the Offer.

The Board immediately announced that with effect from 19 August 2022, Mr. Cai Weike has been appointed as the Chairman of the Board and executive Director, and myself, Mr. Wong Chi Wing Kinson, was appointed as the executive Director. Mr. Chan Wai Fung has been appointed as the non-executive Director, while Mr. Yim Hong Cheuk Foster, Mr. Huen, Felix Ting Cheung and Ms. Cheang Ana have been appointed as the independent non-executive Directors. The Board further announced that with effect from 19 December 2022, Mr. Cai Weike resigned as the Chairman of the Board and executive Director and myself, Mr. Wong Chi Wing Kinson, was elected as the Chairman of the Board.

# Chairman's Statement

## FINANCIAL RESULTS

For the year ended 31 December 2022, the total revenue of the Group was approximately HK\$352.9 million (2021: HK\$394.2 million), representing a year-over-year decrease of approximately 10.5%. Profit after tax was reduced to HK\$3.3 million (2021: HK\$18.9 million).

The Board considered that the decrease in net profit for the year was mainly attributable to the fifth wave of COVID-19 outbreak in Hong Kong and the implementation of the anti-epidemic measures by the Hong Kong government. Among which, the dine-in services ban from 6 p.m. to 4:59 a.m. of the next day and the cap of two diners per table according to the tightened social distancing measures from 7 January 2022 until 20 April 2022 imposed by the Hong Kong government had significant adverse impact on the financial performance. This resulted in a loss of HK\$17.2 million in the first quarter of 2022. It was not until late April 2022, when the dine-in service for the dinner session was partially and finally resumed, together with the support of the government's consumption voucher scheme and effective internal cost control, restaurants' revenue and profit margin rebounded immediately and loss position was gradually improved in the first half of the year. With the full support and contribution by all the Group's members, the Group had successfully turned the first half's loss to profit by the end of the year, which outcompeted most of the industry players.

Followed by the change of new Board, the Group decided to refine business direction, striking for a balance between capital intensive business and less capital intensive business areas which will be elaborated in the business review and prospects section below. This aims at improving shareholders' returns and lowering operating risk.

## BUSINESS REVIEW AND PROSPECTS

Currently, we are operating thirteen restaurants in Hong Kong, comprising eight under our own brands and five under franchise or sub-license arrangements. Our prudent and conservative management approach has successfully assisted the Group to overcome the worst situation in 2022 which had never been happened in Hong Kong before. However, it triggered our Board's decision to diversify business risks from purely relying on self-developed shops and brands expansion to less capital intensive business model which included food supply chain business and sub-franchise business development.

The following three companies will focus on less capital intensive businesses with new diversified new income stream to the Group.

A new joint venture ("**JV**") focusing on food supply chain business has been established since March 2023. This JV will dedicate to sourcing and selecting fine fresh food, including meats, vegetables, fruits, globally and reselling to wholesalers and restaurants. New income is expected to be generated from the wholesale business margin. This aims at upward penetrating into the food supplies and a commitment towards the selection of finest quality of food products by the Group.

A new wholly-owned subsidiary is planning to be established in 2023 focusing on overseas' sub-franchising business. This subsidiary will dedicate to providing brands and catering management services to corporates or individuals for new restaurants opening in South East Asia. New income is expected to be generated from consultation, royalty and management fees from restaurants.

The Group is also planning to expand the business function of a wholly-owned subsidiary, 1957 & Co. (Shenzhen) Restaurant Management Limited, to sub-franchising business in the PRC. This subsidiary will dedicate to providing brands and catering management services to corporates and individuals for new restaurants opening in the PRC. New income is expected to be generated from consultation, royalty and management fees from restaurants.

In view of the current economic and capital markets environment, the Board believes that engaging in the potential new business is an opportunity of the Group to diversify its source of income and will therefore be in the interest of the Company and its shareholders (the "**Shareholder**") as a whole.



# Chairman's Statement

In order to demonstrate our finest food supplies on dining tables, the Group continues to invest in new and renew lease agreements for restaurants in Hong Kong during the year.

New restaurants, namely Modern Shanghai (East Point City) Restaurant and Akanoshou Restaurant in Causeway Bay were opened in July 2022 and September 2022 respectively.

Two tenancy agreements have been signed for the renewal of:

- (a) an existing Shanghainese cuisine restaurant (where our 10 Shanghai Restaurant is located) in Lee Garden Two, the expiry of lease had been extended from 30 September 2022 to 30 September 2024; and
- (b) an existing Thai cuisine restaurant (where our Mango Tree Restaurant is located) in Elements, the expiry of lease had been extended from 30 August 2022 to 31 August 2024.

During the year,

- a new tenancy agreement and two licence agreements for Lee Garden Two have been signed in respect of the relocation of two respective Japanese cuisine and Vietnamese cuisine restaurants (where our Gonpachi Restaurant and An Nam Restaurant are located) from Lee Garden One to Lee Garden Two. The two new restaurants have been opened since 5 February 2023;
- a new tenancy agreement has been signed for the opening of a new Japanese cuisine restaurant which has been opened since 17 January 2023 at One Peking, Tsimshatsui with the brand of Gonpachi;
- a new tenancy agreement has been signed for the opening of a new Shanghainese cuisine restaurant which is expected to be opened in 2023 at The Wai, Shatin; and
- the Group did not open nor invest in any new restaurant in China. The Company will continue to closely monitor the performances of its minority stake invested restaurants.

As at 31 December 2022, the Group recorded a cash balance of approximately HK\$54.2 million. With less focus on investing in new restaurants directly, the Group's cash balance is expected to grow in a healthy mode and it allows room for us to diversify our investment into various important areas within the food and beverage sector.

## 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.

**Wong Chi Wing Kinson**

*Chairman*

Hong Kong, 22 March 2023

# 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 2022, the Group had been principally engaged in operating full service restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghainese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provided catering management and consultancy services in Hong Kong and the PRC.

## INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Hong Kong government on 7 February 2023, the value of total receipts of the restaurants sector was provisionally estimated at HK\$86.8 billion, decreased by 6.4% in value and 9.5% in volume compared with the whole year of 2021. Over the same period, the provisional estimate of the value of total purchases of restaurants decreased by 4.2% to HK\$29.0 billion.

Analysed by type of restaurant and comparing the whole year of 2022 with the whole year of 2021, total receipts of Chinese restaurants decreased by 10.0% in value and 12.9% in volume. Total receipts of non-Chinese restaurants decreased by 6.2% in value and 9.6% in volume. Total receipts of fast food shops decreased by 2.0% in value and 5.3% in volume. Total receipts of bars decreased by 9.5% in value and 12.6% in volume. As for miscellaneous eating and drinking places, total receipts decreased by 1.1% in value and 4.2% in volume.

A government spokesman said that business of restaurants continued to improve in the fourth quarter of 2022, thanks to the further relaxation of social distancing measures, improved labour market conditions and disbursement of consumption vouchers. The value of total restaurant receipts increased further by 5.7% over the preceding quarter on a seasonally adjusted basis, and turned to an increase of 1.6% on a year-on-year comparison. Yet, reflecting the severe impact of the fifth wave of the local epidemic in early 2022, the value of total restaurant receipts declined by 6.4% for the year as a whole.

Looking ahead, the return of economic activities from the epidemic to normalcy and an expected rebound in inbound tourism should boost business of restaurants. An expected further improvement of the labour market will provide additional support.

The Group will continue to monitor the developments closely and will be cautious in running our business.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Hong Kong

During the year ended 31 December 2022, the Group opened two new restaurants in Hong Kong, namely Modern Shanghai (East Point City) Restaurant and Akanoshou Restaurant in Causeway Bay on 12 July 2022 and 23 December 2022 respectively. On the other hand, a Japanese cuisine restaurant in Lee Garden Two with its lease expired on 30 September 2022 was closed down. From this aspect, the Group has searched for an appropriate location in the same district for the new Akanoshou Restaurant which is located at HDH Centre in Causeway Bay.

Besides, two tenancy agreements have been executed by the landlords and renewed for:

- (a) an existing Shanghaiese cuisine restaurant (where our 10 Shanghai Restaurant is located) in Lee Garden Two, the expiry of lease had been extended from 30 September 2022 to 30 September 2024; and
- (b) an existing Thai cuisine restaurant (where our Mango Tree Restaurant is located) in Elements, the expiry of lease had been extended from 31 August 2022 to 31 August 2024.

During the year,

- a new tenancy agreement and two licence agreements for Lee Garden Two have been signed in respect of the relocation of two respective Japanese cuisine and Vietnamese cuisine restaurants (where our Gonpachi Restaurant and An Nam Restaurant are located) from Lee Garden One to Lee Garden Two. The two new restaurants have been opened since 5 February 2023;
- a new tenancy agreement has been signed for the opening of a new Japanese cuisine restaurant which has been opened since 17 January 2023 at One Peking, Tsimshatsui with the brand of Gonpachi; and
- a new tenancy agreement has been signed for the opening of a new Shanghaiese cuisine restaurant which is expected to be opened in 2023 at The Wai, Shatin.

As at 31 December 2022, the Group had a total of thirteen restaurants under five self-owned brands, namely, Akanoshou, 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 2022, none of our restaurants had undergone significant renovation.

# Management Discussion and Analysis

## The PRC

As at 31 December 2022, 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 did not open nor invest in any new restaurant during the year. The Company will continue to closely monitor the performances of its minority stake invested restaurants in the PRC.

## FINANCIAL REVIEW

### Revenue

During the year ended 31 December 2022, 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 restaurant management services. As at 31 December 2022, the Group was operating thirteen (2021: twelve) restaurants, of which two (2021: no) restaurants were newly opened and one (2021: no) restaurant was closed down during the year.

The revenue decreased by approximately 10.5% from approximately HK\$394.2 million for the year ended 31 December 2021 to approximately HK\$352.9 million for the year ended 31 December 2022. The decrease in revenue during the year was mainly attributable to the fifth wave of COVID-19 outbreak and the implemented anti-epidemic measures; and among which, the dine-in services ban from 6 p.m. to 4:59 a.m. of the next day from 7 January 2022 to 20 April 2022 and the cap of two diners per table according to the tightened social distancing measures imposed by the Hong Kong government has a significant adverse impact on the financial performance. Such decrease has gradually slowed down since 21 April 2022 when the dine-in services for the dinner session was partially resumed and further relaxed by stages, coupled with the effect of the government's consumption voucher scheme, which led to strong stimulating effect on spending and enhanced the Group's revenue.



# Management Discussion and Analysis

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			
	2022		2021	
	Revenue HK\$'000	% of total revenue from operation of restaurant approximately (%)	Revenue HK\$'000	% of total revenue from operation of restaurant approximately (%)
Shanghainese	125,064	35.6	113,737	29.0
Japanese	72,329	20.6	100,184	25.6
Thai	68,342	19.5	79,499	20.3
Vietnamese	43,327	12.3	52,719	13.4
Italian	41,964	12.0	46,025	11.7
Total revenue from operation of restaurants in Hong Kong	351,026	100.0	392,164	100.0

## Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants increased by approximately HK\$11.4 million, or approximately 10.0%, from approximately HK\$113.7 million for the year ended 31 December 2021 to approximately HK\$125.1 million for the year ended 31 December 2022. The increase in revenue was mainly attributable to the revenue generated from festival sales and the newly opened restaurant at East Point City in late July 2022 netted off by the adverse impact resulted from the dine-in services ban and the cap of two diners per table imposed to the catering business as mentioned above.

## Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants decreased by approximately HK\$27.9 million, or approximately 27.8%, from approximately HK\$100.2 million for the year ended 31 December 2021 to approximately HK\$72.3 million for the year ended 31 December 2022. The substantial decrease in sales was mainly attributable to the tightened social distancing measures mentioned above and only nine operation months of a Japanese restaurant in 2022 compared to full year operation in 2021 due to its closure on 1 October 2022.

## Thai-style restaurants

The revenue generated from operation of Thai-style restaurants decreased by approximately HK\$11.2 million, or approximately 14.1%, from approximately HK\$79.5 million for the year ended 31 December 2021 to approximately HK\$68.3 million for the year ended 31 December 2022. The substantial decrease was mainly attributable to the tightened social distancing measures mentioned above and followed by the partial relaxation in anti-epidemic measures in late April 2022, the plummeted sales revenue has been slowed down.

# Management Discussion and Analysis

## **Vietnamese-style restaurants**

The revenue generated from operation of Vietnamese-style restaurants decreased by approximately HK\$9.4 million, or approximately 17.8%, from approximately HK\$52.7 million for the year ended 31 December 2021 to approximately HK\$43.3 million for the year ended 31 December 2022. The substantial decrease was mainly attributable to the tightened social distancing measures mentioned above and followed by the partial relaxation in anti-epidemic measures in late April 2022, the plummeted sales revenue has been slowed down.

## **Italian-style restaurant**

The revenue generated from operation of Italian-style restaurant decreased by approximately HK\$4.0 million, or approximately 8.7%, from approximately HK\$46.0 million for the year ended 31 December 2021 to approximately HK\$42.0 million for the year ended 31 December 2022. The substantial decrease was mainly attributable to the tightened social distancing measures mentioned above and followed by the partial relaxation in anti-epidemic measures in late April 2022, the plummeted sales revenue has been slowed down.

## **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\$115.5 million and HK\$102.0 million for each of the years ended 31 December 2021 and 2022, respectively, representing approximately 29.4% and 29.1% 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 decreased, mainly contributed by cost reduction measures followed by the drop in sales revenue.

## **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\$126.5 million for the year ended 31 December 2021 to approximately HK\$133.3 million for the year ended 31 December 2022, representing an increase of approximately 5.4% in comparison. Such increase was mainly due to the additional labour forces for the new Modern Shanghai restaurant in East Point City, netted off by the cost reduction measures coped with the tightened social distancing measures implemented.

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 slightly increase as long as the recovery 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-allocation 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.

# Management Discussion and Analysis

## Depreciation and amortisation

The Group recorded depreciation and amortisation of approximately HK\$64.7 million and HK\$61.0 million for the years ended 31 December 2021 and 2022, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment, motor vehicle and intangible asset. Such decrease was contributed by the depreciation charges incurred for two new restaurants opened during the year netted off by impairment loss recognised in previous years and certain fully depreciated assets at our remaining restaurants compared to the corresponding period in 2021.

The depreciation charged on the right-of-use assets amounted to approximately HK\$49.1 million and HK\$50.4 million for the years ended 31 December 2021 and 2022, 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 one and four 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\$12.6 million and HK\$8.5 million, for the years ended 31 December 2021 and 2022, 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 trade receivables

The Group recorded an impairment loss on trade receivables of approximately HK\$0.2 million (2021: Nil) for the year ended 31 December 2022. The impairment loss on trade receivables is based on the expected credit loss rate on the trade receivables due from an associate.

## Impairment loss on property, plant and equipment

The Group recorded an impairment loss on property, plant and equipment of approximately HK\$0.2 million (2021: HK\$10.5 million) for the year ended 31 December 2022. 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 restaurant; and (ii) the expected increase in operating losses within the remaining lease term for the restaurant with very remote chance of turnaround into profit making position.

## Reversal of impairment loss on property, plant and equipment

The Group did not record a reversal of impairment loss on property, plant and equipment for the year ended 31 December 2022 (2021: HK\$4.1million).

## Rental expenses

The rental expenses, which mainly represent turnover rent and government rates, for the year ended 31 December 2022 amounted to approximately HK\$5.1 million, representing a decrease of approximately 36.3% as compared with that for the year ended 31 December 2021 which amounted to approximately HK\$8.0 million. The decrease was due to the drop in revenue of our restaurants which led to a drop in the aggregate turnover rents incurred.

## Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the years ended 31 December 2021 and 2022, the total utility expenses amounted to approximately HK\$8.7 million and HK\$10.6 million, respectively.

# Management Discussion and Analysis

## Income tax expenses

The Group recorded income tax expenses of approximately HK\$1.0 million for the year ended 31 December 2022 (2021: HK\$3.8 million). Such decrease was mainly due to the drop in revenue and less profit recorded for the year.

## Profit for the year

The Group recorded a profit of approximately HK\$3.3 million for the year ended 31 December 2022 as compared to a profit of approximately HK\$18.9 million for the corresponding year in 2021. The profit for the year included the government grants in the amount of approximately HK\$16.3 million (2021: HK\$5.1 million) received by the Group during the year.

The profit was mainly attributable to the combined effects of (i) the reduction of impairment loss on property, plant and equipment from approximately HK\$10.5 million in 2021 for three restaurants to approximately HK\$0.2 million in 2022 for a restaurant of which the lease will be expired in early of 2023; (ii) the absence of reversal of impairment loss on property, plant and equipment in the amount of approximately HK\$4.1 million for a restaurant in 2021 and the impact was partially offset by the increase in government grants received in 2022; (iii) the corresponding decrease in cost of inventories sold resulted from the drop in revenue of our restaurants during the period being affected by the dine-in services ban from 6 p.m. to 4:59 a.m. of the next day and the cap of two diners per table according to the tightened social distancing measures from 7 January 2022 to 20 April 2022 and (iv) the impairment loss on trade receivables of approximately HK\$0.2 million in 2022.

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 2022, 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 2022, 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.



# Management Discussion and Analysis

## 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 decided to diversify risks from purely relying on self-developed shops and brands expansion to less capital intensive business model which included food supply chain business and sub-franchise business development.

The following three companies will focus on less capital intensive businesses with new diversified new income stream to the Group.

A new JV focusing on food supply chain business has been established since March 2023. This JV will dedicate to sourcing and selecting fine fresh food, including meats, vegetables, fruits, globally and reselling to wholesalers and restaurants. New income is expected to be generated from the wholesale business margin. This aims at upward penetrating into the food supplies and a commitment towards the selection of finest quality of food products by the Group.

A new wholly-owned subsidiary is planning to be established in 2023 focusing on overseas’ sub-franchising business. This subsidiary will dedicate to providing brands and catering management services to corporates or individuals for new restaurants opening in South East Asia. New income is expected to be generated from consultation, royalty and management fees from restaurants.

The Group is also planning to expand the business function of a wholly-owned subsidiary, 1957 & Co. (Shenzhen) Restaurant Management Limited, to sub-franchising business in the PRC. This subsidiary will dedicate to providing brands and catering management services to corporates and individuals for new restaurants opening in the PRC. New income is expected to be generated from consultation, royalty and management fees from restaurants.

However, none of the above-mentioned plans have been materialised as at the date of this report. The Company will comply with the relevant disclosure requirements under the GEM Listing Rules as and when appropriate. It is currently expected that, should any of the above-mentioned plans be materialised, it will be funded by internal resources, bank borrowings and contribution from associates or JV partners, if any. Nevertheless, the Group will continue to be cautious in further expanding our restaurant outlets by exercising due care and examining adequate opportunities to diversify the source of income of the Company for the benefit of the Shareholders.

## 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 2022 is set out below:

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2022
1. Continue to develop our brand portfolio and expand our restaurant network	Settlement of part of the set up and opening costs of Paper Moon Restaurant  Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong	Settled certain costs for Paper Moon Restaurant  10 Shanghai Restaurant was opened in January 2018

# Management Discussion and Analysis

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2022
1. Continue to develop our brand portfolio and expand our restaurant network (Continued)	<p>Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong</p> <p>Set up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou</p> <p>Set up a restaurant under the Mango Tree brand and set up a restaurant under the Mango Tree Café brand in shopping mall in Guangzhou</p> <p>Open a restaurant under the Hokkaidon brand and a restaurant under the Mango Tree brand in a shopping mall in Hong Kong</p> <p>Open a restaurant under the Modern Shanghai brand in a shopping mall in Hong Kong</p> <p>Set up a restaurant under the Mango Tree Café brand in a shopping mall in Shenzhen</p> <p>Set up a restaurant under a refined Ta-ke brand in a shopping mall in Shenzhen</p>	<p>Ta-ke Japanese Restaurant was opened in March 2018</p> <p>Guangzhou Ten Shanghai Food &amp; Beverage Co. Ltd operated a restaurant, namely 十里弄堂, which was set up and opened in Guangzhou K11 shopping mall in May 2018 and the Group will no longer pursue to open this second restaurant in Guangzhou</p> <p>Guangzhou Mango Tree Food &amp; Beverage Co. Ltd. operated a restaurant, namely 芒果樹 (K11 店), which was set up and opened in Guangzhou K11 shopping mall in May 2018 for the Mango Tree brand and Guangzhou Mango Tree (La Perle) Food &amp; 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 in September 2019</p> <p>The Group is still in the process of identifying a desirable location to open the restaurant</p> <p>Modern Shanghai (Olympian City) Restaurant was opened in September 2019</p> <p>The Group will no longer pursue to open this restaurant in Shenzhen</p> <p>The Group will no longer pursue to open this restaurant in Shenzhen</p>

# Management Discussion and Analysis

	Business plan as stated in the Prospectus	Actual business progress up to 31 December 2022
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 2021 to 31 December 2022.

### Cash position

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately HK\$54.2 million (2021: HK\$94.4 million), which were mainly denominated in Hong Kong dollar, representing a decrease of approximately 42.6% as compared to that as at 31 December 2021. The decrease was mainly due to the net cash used in financing activities, which principally represented the payment of lease liabilities and the repayment of borrowings netted off by the new proceeds from bank borrowings and the net cash used in investing activity, of which represented the purchase of property, plant and equipment for those upcoming new restaurants netted off by the receipt of government grants and the fact that the net operating cash inflow generated by the Group during the year.

### Borrowings

As at 31 December 2022, the total bank borrowings of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK\$33.2 million (2021: HK\$5.8 million) that bear floating interest rates from 2.6% to 6.1% per annum (2021: 2.7% to 3.5%). 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 23 to the consolidated financial statements.

As at 31 December 2022, the total loans from non-controlling shareholders, which were denominated in Hong Kong dollar, amounted to approximately HK\$7.6 million (2021: 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 2022 and 2021.

### Pledge

As at 31 December 2022, a total of HK\$9.1 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 (2021: HK\$7.0 million).

# Management Discussion and Analysis

## Gearing ratio

As at 31 December 2022, the gearing ratio of the Group was approximately 53.8% (2021: 18.4%). The resulted increase was mainly attributable to the effect of the addition of bank borrowings during the year. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, loans from non-controlling shareholders, divided by the total equity of the Company at the end of the respective period.

## COMMITMENTS

The Group was committed to making future minimum lease payments in respect of staff quarters under non-cancellable operating lease. The Group's operating lease commitments not yet commenced as at 31 December 2022 were approximately HK\$15,000 (2021: HK\$106,000).

## 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 2022.

## CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities.

## CAPITAL COMMITMENTS

As at 31 December 2022, the Group had approximately HK\$422,000 (2021: Nil) capital expenditure contracted for but not recognised as liabilities.

## DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2022 (2021: 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 2021 and 2022, 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 2022, no hedging financial instrument had been acquired or disposed of by the Group. As at 31 December 2022, the Group's credit risk is primarily attributable to trade receivables, pledged bank deposit and cash and cash equivalents.



# Management Discussion and Analysis

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 2022, the Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. For trade receivables, the management considers the credit risk on long aged balances and makes adequate provision by assessing the expected credit loss rate for those amount. 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 2022, the total number of full-time and part-time employees of the Group was 467 (2021: 403). Total staff costs (including Directors' emoluments) were approximately HK\$133.3 million for the year ended 31 December 2022 (2021: HK\$126.5 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 adopted a share option scheme on 6 November 2017. As at the date of this annual report, no share option has been granted.

## LITIGATIONS

As at 31 December 2022, 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.

# Management Discussion and Analysis

## PROSPECT

The Group decided to refine business direction, striking for a balance between capital intensive business and less capital intensive business areas.

The following three companies will focus on less capital intensive businesses with new diversified new income stream to the Group.

A new JV focusing on food supply chain business has been established since March 2023. This JV will dedicate to sourcing and selecting fine fresh food, including meats, vegetables, fruits, globally and reselling to wholesalers and restaurants. New income is expected to be generated from the wholesale business margin. This aims at upward penetrating into the food supplies and a commitment towards the selection of finest quality of food products by the Group.

A new wholly-owned subsidiary is planning to be established in 2023 focusing on overseas' sub-franchising business. This subsidiary will dedicate to providing brands and catering management services to corporates or individuals for new restaurants opening in South East Asia. New income is expected to be generated from consultation, royalty and management fees from restaurants.

The Group is also planning to expand the business function of a wholly-owned subsidiary, 1957 & Co. (Shenzhen) Restaurant Management Limited, to sub-franchising business in the PRC. This subsidiary will dedicate to providing brands and catering management services to corporates and individuals for new restaurants opening in the PRC. New income is expected to be generated from consultation, royalty and management fees from restaurants.

The Group has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. The Company is currently exploring suitable opportunities to commence and develop business of food trading in Hong Kong and in the PRC with a view to maximising the return to our investors.

In view of the current economic and capital markets environment, the Group believes that engaging in the potential new business is an opportunity for the Group to diversify its source of income and will therefore be in the interest of the Company and Shareholders as a whole.

Notwithstanding the Group's intention to explore the potential new business, the existing principal business of the Group in operation of restaurants and provision of catering management and consultancy services will continue to be the core business of the Group.

### **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. The Group considers that the food and beverage industry in the PRC has significant growth potential 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, expand the development of the franchising business in the PRC to provide steady return as well as growth prospects for the Shareholders' return and explore suitable opportunities to commence and develop the related business, such as the food trading in Hong Kong and in the PRC with a view to maximising the return to our investors as well as growth prospects for the Shareholders.

# Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Wong Chi Wing Kinson (王志榮)**, aged 49, is our executive Director, the chairman of the Board, the chairman of the nomination committee, the chairman of the strategic development committee and a member of the remuneration committee. Mr. Wong is also a director of two of our subsidiaries, namely 1957 & Co. (Management) Limited and 1957 Food Supply Chain Company Limited.

Mr. Wong is a licensed person registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (Asset Management) regulated activities. Mr. Wong serves as the director and responsible officer in M&F Asset Management Limited since December 2022. Mr. Wong is also a managing director of M&F Capital Ltd and being responsible to group institutional investment business.

Mr. Wong possess 20 years of banking experience and held various senior management positions in both Hong Kong and China. Mr. Wong was a general manager and the head of small and medium-sized enterprises (SME) and equipment finance in Dah Sing Bank Ltd from October 2015 to August 2020. Mr. Wong served as a deputy general manager and the head of commercial banking from October 2014 to October 2015 and a deputy general manager and the head of SME and equipment finance from April 2012 to October 2014, respectively in Dah Sing Bank (China) Ltd, a subsidiary of Dah Sing Bank Ltd.

Mr. Wong obtained his degree of Bachelor of Arts (Honors) from the Hong Kong Polytechnic University in 1997 and the degree of Master of Commerce in Finance from the University of New South Wales, Australia, in 1999.

**Mr. Kwok Chi Po (郭志波)**, aged 59, is one of our founders, our executive Director and a member of the strategic development committee. Mr. Kwok also serves as our chief executive officer. Mr. Kwok is primarily responsible for overseeing the general management and operations of our Group, as well as formulating corporate strategies and overseeing business development. Mr. Kwok is also a director of each other members of our Group except 1957 Food Supply Chain Company Limited.

Mr. Kwok has accumulated over 30 years of experience in the hospitality and food and beverage industries.

**Mr. Lau Ming Fai (劉明輝)**, aged 50, is our executive Director, chief operating officer and a member of the strategic development committee. Mr. Lau joined our Group in April 2014 as chief operating officer and has been in charge of overseeing the Group’s operations, including recruitment, business development and formulating operating strategies and policies since then. Mr. Lau is also a director of three of our subsidiaries, namely Hokkaidon Restaurant Limited, L Garden and Partners Limited and 1957 and Partners Limited.

Mr. Lau has over 18 years of experience in the hospitality, catering, food and beverage industries.

Mr. Lau obtained his postgraduate certificate in management in September 2002, postgraduate diploma in management in October 2003 and master of management in September 2004, each from the Macquarie University in Australia. He also attained a Level 3 Award in HACCP in Catering by the Chartered Institute of Environmental Health, Australia in August 2012.

# Directors and Senior Management

**Ms. Tsui Ngan Fun (徐雁芬)**, aged 64, is our executive Director and a member of the strategic development committee.

Ms. Tsui has over 40 years of experience in banking sector and joined M&F Capital Limited since 2020 as chief operating officer and is involved in investment and acquisition projects of the company to ensure smooth transition and overall co-ordination of the projects. Ms. Tsui worked for Citibank Group from 1978 to 2003 and she left the bank as a vice president and the operations department head of the Citicorp commercial finance operations department in Citibank. Ms. Tsui joined the DBS Bank in 2004 as head of Business Support, Enterprise Banking, Greater China and extended her role to Corporate and Investment Bank (CIB), Greater China in 2006. From 2008 to 2019, Ms. Tsui served as deputy chief executive officer and chief operating officer of DBS Bank (China) Limited.

**Ms. Lin Huiqin (林慧芹)**, aged 29, is our executive Director and a member of the strategic development committee. Ms. Lin is also a director of two of our subsidiaries, namely 1957 & Co. (Management) Limited and 1957 Food Supply Chain Company Limited.

Ms. Lin joined M&F International Development Company Limited since 2022 as business development manager and is involved in promoting the company's products and services to customers, building long-term relationship with existing and new customers, and helping the company develop the mainland China market. Prior to that, Ms. Lin was an assistant general manager at Shenzhen Bunianguowang Technology Company Limited\* (深圳市不念過往科技有限公司) from 2017 to 2021 and she was responsible for assisting the general manager in project planning, staff management and daily business operations. She also worked as a finance assistant for a retail company from 2015 to 2017.

Ms. Lin obtained a Master of Business Administration from Hong Kong Metropolitan University in 2022.

## NON-EXECUTIVE DIRECTOR

**Mr. Chan Wai Fung (陳偉峰)** aged 37, is our non-executive Director and a member of the strategic development committee.

Mr. Chan has extensive experience in the areas of financial market and corporate finance. Mr. Chan is a licensed person registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity. Mr. Chan serves as the head of corporate finance and responsible officer, a licensed corporation registered under SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures), Type 6 (advising on corporate finance) regulated activities in Silverbricks Securities Company Limited ("**Silverbricks**") since February 2022, and he was a vice president of the Silverbricks from July 2020 to January 2022. Mr. Chan was a co-founder and director of Draco Capital Limited from October 2018 to June 2020. Mr. Chan held various positions in Haitong International Securities Group Limited starting from November 2010 as an assistant business manager until April 2012, worked as officer in CEO office from April 2012 to July 2014, became assistant manager in the investment and product team in August 2014 until July 2017, and was a vice president from July 2017 to October 2018. Mr. Chan joined the Chief Securities Group Limited from May 2008 to August 2010 as dealing officer.

Mr. Chan received his Bachelor of Social Science degree in Economics from the Chinese University of Hong Kong in 2007 and his Master of Business Administration from the Shanghai University of Finance and Economics in 2016. Mr. Chan has also been awarded the qualification of a certified Financial Risk Manager (FRM) in 2010 and Chartered Financial Analyst (CFA) in 2012. Mr. Chan is a Fellow of Chartered Institute of Management Accountants (CIMA) and a Chartered Global Management Accountant (CGMA).

\* for identification purpose only

# Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yim Hong Cheuk Foster (嚴康焯)**, aged 43, is an independent non-executive Director. Mr. Yim is the chairman of our remuneration committee and also a member of each of our audit committee and nomination committee.

Mr. Yim has over seven years of experience in public service, professional and education institutions. Mr. Yim is currently the chairman of the Appeal Tribunal Panel established under section 45 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), a member of the Guardianship Board under section 59J(2) and (3) of the Mental Health Ordinance (Chapter 136 of the Laws of Hong Kong), the legal consultant of the Junior Police Officers' Association of the Hong Kong Police Force, the honorary legal consultant of the H.K.S.A.R. Government Traffic Wardens General Union and the vice president of Legal Profession Advancement Association Limited. Additionally, Mr. Yim is a director of Hong Kong Securities and Investment Institute, a director of Hong Kong Education City Limited, a member of the Joint CUHK-NTEC Clinical Research Ethics Committee, a member of the Advisory Committee of the Master Programmes offered by the School of Translation of The Hang Seng University of Hong Kong, a school manager of Lingnan Hang Yee Memorial Secondary School, a director of the Lingnan Education Organisation, a member of the Advisory Board for the Department of Translation of Lingnan University and a member of the Court of Lingnan University.

Mr. Yim has held the following directorships in the following companies listed on the Stock Exchange in the past three years:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Yincheng International Holding Co., Limited	Main Board	1902	Since June 2022	Independent non-executive director
Summi (Group) Holdings Limited	Main Board	756	From July 2022 to September 2022	Independent non-executive director

Mr. Yim received his Bachelor of Arts in Translation degree at Lingnan University in November 2002, the Master of Arts in Philosophy degree at the University of Nottingham in December 2003 and Master of Science degree at the Chinese University of Hong Kong in December 2006. He was then admitted to the J. D. degree at the Chinese University of Hong Kong in December 2009 and obtained the Postgraduate Certificate in Laws from the same university in July 2010. Mr. Yim was admitted and enrolled as a barrister of the High Court of Hong Kong in May 2011, and is currently a counsel at Liberty Chambers with over 10 years of experience in the legal profession. Mr. Yim is a fellow of both Hong Kong Institute of Arbitrators and Hong Kong Securities and Investment Institute.



# Directors and Senior Management

**Mr. Huen, Felix Ting Cheung (禰廷彰)**, aged 36, is an independent non-executive Director. Mr. Huen is the chairman of audit committee and also a member of our remuneration committee.

Mr. Huen is a licensed person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity. Mr. Huen has extensive experience in the areas of accounting and corporate finance. Mr. Huen is currently the director and responsible officer of Diligent Capital Limited, a licensed corporation registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity.

Mr. Huen has held the following position of the following companies listed on the Stock Exchange in the past three years:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Orient Securities International Holdings Limited	GEM	8001	Since November 2021	Company secretary
Oriental Payment Group Holdings Limited	GEM	8613	Since March 2022	Joint company secretary

Mr. Huen obtained a bachelor's degree in arts (Accounting) from Edinburgh Napier University in United Kingdom in January 2010 and is a member of the Hong Kong Institute of Certified Public Accountants.

**Ms. Cheang Ana**, aged 39, is an independent non-executive Director. Ms. Cheang is also a member of each of our audit committee and nomination committee.

Ms. Cheang was admitted as a solicitor in New South Wales, Australia in July 2012 and has been qualified as a solicitor for the High Court of Australia since November 2013. She worked at a law firm in Brisbane, Australia from March 2012 to February 2016 with her last position as solicitor. Ms. Cheang worked at a law firm in Hong Kong as a registered foreign lawyer from August 2016 to September 2020.

Ms. Cheang obtained her degree of Medical Science from the Queensland University of Technology in 2006, her Bachelor of Laws degree at Queensland University of Technology in 2011, and graduate diploma in Legal Practice from the Queensland University of Technology in 2012.

# Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Fong Chi Wing (方志榮)**, aged 55, is the chief financial officer and joint company secretary of the Company. Mr. Fong was appointed as our chief financial officer on 11 April 2016. He is primarily responsible for overseeing the financial management of our Group.

Mr. Fong worked in international accounting and auditing firms from 1993 to 2000 and has over 15 years of experience in in-house accounting and financial control for various listed companies on the Stock Exchange during the period from 2000 to 2015.

Mr. Fong obtained his bachelor of arts degree in accountancy in November 1993 from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). He was admitted as an associate of The Association of Chartered Certified Accountants in January 1997. Mr. Fong is a member of the Hong Kong Institute of Certified Public Accountants.

**Ms. Chan Hang Ming Florence (陳杏明)**, aged 47, is the director of marketing and communications of the Company. Ms. Chan joined our Group on 1 September 2012 as a marketing manager and was promoted to director of marketing and communications on 1 February 2016. She is primarily responsible for overseeing marketing, communications and public relations of all brands of our Group.

Ms. Chan has over 20 years of industry experience and prior to joining us, she served in the marketing and public relations departments of various hospitality groups and public relations firm in Hong Kong, including The Royal Garden, Hotel Nikko, Eaton Hotel, Langham Hospitality Group, JC Group, Furama Hotel and PR Concepts Company Limited and Miramar Group, where she planned and managed the opening of many renowned restaurants, including Inakaya, Teppanyaki Kaika and Dong Lai Shun.

Ms. Chan completed her higher diploma in hotel management from The Hong Kong Polytechnic University in 1997 and received her master of arts in communication from Hong Kong Baptist University in 2006.

## JOINT COMPANY SECRETARIES

**Mr. Tsang Ho Yin (曾浩賢)**, was appointed as the joint company secretary of the Company on 19 August 2022.

Mr. Tsang is currently a Partner of Stevenson, Wong & Co., specialising in corporate finance and commercial law. Mr. Tsang has extensive experience in corporate and business affairs, including pre-listing reorganisations and investments, initial public offerings, merger and acquisitions, loan and financing transactions, investments in China, corporate governance and general compliance affairs of listed companies and private enterprises.

Mr. Tsang obtained a bachelor's degree in laws and a bachelor's degree in commerce in 2008 and subsequently a master's degree in laws in 2010 from the University of Melbourne, Australia. He also obtained the postgraduate certificate in laws from the City University of Hong Kong in 2011.

Mr. Tsang was admitted as a solicitor in Australia in 2012 and in Hong Kong in 2013 respectively.

# Directors and Senior Management

Mr. Tsang has held the following directorships in the following companies listed on the Stock Exchange in the past three years:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
China Regenerative Medicine International Limited	GEM	8158	Since January 2020	Non-executive director
Crosstec Group Holdings Limited	Main Board	3893	Since September 2021	Independent non-executive director
			Since January 2023	Non-executive director
Sterling Group Holdings Limited	Main Board	1825	Since September 2021	Independent non-executive director
Inno-Tech Holdings Limited	GEM	8202	From June 2019 to June 2020	Independent non-executive director
Summi (Group) Holdings Limited	Main Board	756	From July 2022 to September 2022	Non-executive director

Mr. Tsang has also held the following position of the following companies listed on the Stock Exchange in the past three years:

Company Name	Listing on the Stock Exchange	Stock code	Period	Role(s)
Mabpharm Limited	Main Board	2181	Since May 2019	Joint company secretary and authorised representative
Sunshine 100 China Holdings Limited	Main Board	2608	Since November 2019	Company secretary and the authorised representative
Sundy Service Group Co. Limited	Main Board	9608	Since January 2021	Joint company secretary and authorised representative
Mobile Internet (China) Holdings Limited	Main Board	1439	From February 2020 to February 2021	Company secretary and the authorised representative

# Directors and Senior Management

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**Mr. Fong Chi Wing (方志榮)**, our chief financial officer, was appointed as the company secretary of the Company on 16 February 2017 and became the joint company secretary of the Company on 19 August 2022. For more information on Mr. Fong's qualifications and experience, please see the sub-section headed "Senior Management" above.

## COMPLIANCE OFFICER

**Mr. Kwok Chi Po (郭志波)** was appointed as our compliance officer on 16 February 2017. For more information on Mr. Kwok's qualifications and experience, please see the sub-section headed "Executive Directors" above.

# Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

The Company principally operates full-service restaurants under our self-owned brands and franchised/sub-licensed brands in Hong Kong. We also provide restaurant pre-opening and management consultancy services in Hong Kong and the PRC. Analysis of the principal activities of the Group during the year ended 31 December 2022 is set out in the note 1 to the consolidated financial statements.

## BUSINESS REVIEW

Details of business review are set out in the section of “Management Discussion and Analysis” on page 9. An analysis using financial key performance indicators can be found in the “Management Discussion and Analysis” on pages 10 to 14 of this annual report.

## SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in operation of restaurants and catering management and consultancy services. Information reported to the chief operating decision-maker for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group’s resources are integrated.

The Group’s revenue is mainly derived from customers in Hong Kong. The principal assets of the Group were also located in Hong Kong. Accordingly, no analysis by geographical segment is provided.

## RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 99 to 100 of this annual report.

## FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## FINANCIAL SUMMARY

A summary of the Group’s results, assets and liabilities for the last five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.



## MAJOR CUSTOMERS AND SUPPLIERS

### Major customers

Due to the nature of our business, the majority of our customers consist of retail customers from the general public. As such, our Directors consider that it is not practicable to identify the five largest customers of our Group for the year ended 31 December 2022 and we did not rely on any single customer during the year. For instance, none of our customers accounted for 5% or more of our revenue for the year ended 31 December 2022.

### Major Suppliers

For the year ended 31 December 2022, the Group's five largest suppliers accounted for 24.9% (2021: 28.1%) of the Group's total purchases and our single largest supplier accounted for 7.6% (2021: 10.5%) of the Group's total purchases.

During the year ended 31 December 2022, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest suppliers as identified above.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2022 are set out in note 13(a) to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 20 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set out on page 104 in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution amounted to approximately HK\$68.1 million (2021: HK\$68.6 million) as calculated based on the Company's share premium less accumulated losses.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2022 are set out in notes 23 and 28(b) to the consolidated financial statements.

# Report of Directors

## DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report are:

### Executive Directors

Mr. Wong Chi Wing Kinson (*Chairman*) (appointed as Executive Director on 19 August 2022 and as Chairman on 19 December 2022)

Mr. Kwok Chi Po (*Chief Executive Officer*)

Mr. Lau Ming Fai (*Chief Operating Officer*)

Ms. Tsui Ngan Fun (appointed on 19 December 2022)

Ms. Lin Huiqin (appointed on 19 December 2022)

Mr. Cai Weike (appointed on 19 August 2022 and resigned on 19 December 2022)

Mr. Kwan Wing Kuen Tino (resigned on 19 August 2022)

### Non-executive Directors

Mr. Chan Wai Fung (appointed on 19 August 2022)

Mr. Leung Chi Tien Steve (resigned on 19 August 2022)

Ms. Chan Siu Wan (resigned on 19 August 2022)

### Independent Non-executive Directors

Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)

Mr. Huen, Felix Ting Cheung (appointed on 19 August 2022)

Ms. Cheang Ana (appointed on 19 August 2022)

Mr. How Sze Ming (resigned on 19 August 2022)

Mr. Ng Wai Hung (resigned on 19 August 2022)

Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)

In accordance with article 83(3) of the articles of association of the Company (the “**Articles of Association**”), any Director appointed by the Board to either fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Wong Chi Wing Kinson, Ms. Tsui Ngan Fun, Ms. Lin Huiqin, Mr. Chan Wai Fung, Mr. Yim Hong Cheuk Foster, Mr. Huen, Felix Ting Cheung and Ms. Cheang Ana will hold the office until the forthcoming annual general meeting to be held on 30 May 2023 (the “**AGM**”) and, being eligible, offer themselves for re-election at the AGM.

In accordance with article 84 of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation and will be eligible for re-election and re-appointment at every annual general meeting, provided that (1) every Director shall be subject to retirement at an annual general meeting at least once every three years and (2) any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Accordingly, Mr. Kwok Chi Po and Mr. Lau Ming Fai shall hold office until the AGM. All of the above retiring Directors and, being eligible, offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 23 March 2023.

## **DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 27 of this annual report.

## **CHANGES TO INFORMATION IN RESPECT OF DIRECTORS**

Upon specific enquiry by the Company, save as disclosed in the sections headed "Corporate Information" and "Directors and Senior Management" in this annual report, since the Company's last published interim report and up to the date of this annual report as set out below, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules.

## **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year and remain so as of the date of this annual report.

## **DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT**

Two of the executive Directors have signed service contracts with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties' agreement.

One executive Director was appointed on 19 August 2022 and two executive Directors were appointed on 19 December 2022, each of whom has signed a service contract with the Company for a term of three years commencing from their respective appointment dates, which may be renewable subject to both parties' agreement.

The non-executive Director and independent non-executive Directors were appointed on 19 August 2022 and each of them has signed a letter of appointment with the Company for a term of three years commencing from their respective appointment dates, which may be renewable subject to both parties' agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Save as those interests set out in note 29 to the consolidated financial statements, no other Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year and up to the date of this annual report.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year and up to the date of this annual report.

# Report of Directors

## EMPLOYEES AND REMUNERATION POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Director, and five highest paid individuals of the Group during the year ended 31 December 2022 are set out in notes 10 and 29 to the consolidated financial statements.

As at 31 December 2022, the Group had 383 full-time and 84 part-time employees. The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. The Company also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. In order to retain quality employees, the Group offers competitive remuneration and incentive schemes. We have also operated a staff bonus scheme and contributed to such scheme since December 2014. The Company regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

## RETIREMENT AND EMPLOYEE BENEFITS SCHEME

The Group joined the Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all of its employees employed under the Hong Kong Employment Ordinance. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Currently, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds and is expensed as incurred. During the year, the retirement benefit scheme contributions borne by the Group amounted to HK\$5,332,000 (2021: HK\$4,850,000). No forfeited contribution for the Group is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

The Group has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance. Details of such scheme are set out in note 10 to the consolidated financial statements.

# Report of Directors

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

As at 31 December 2022, 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 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:

Interest in the Company:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company (%)
Wong Chi Wing Kinson ("Mr. Wong")	Interest in controlled corporation (Note 1)	72,000	Long	0.02%

Note:

- (1) 72,000 shares were held by Win Prosper Investments Limited ("Win Prosper") which is wholly and beneficially owned by Mr. Wong. Accordingly, Mr. Wong was deemed to be interested in all the shares held by Win Prosper pursuant to the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year 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.



# Report of Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would 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 (%)
Real Hero Ventures Limited ("Real Hero")	Beneficial owner (Note 1)	274,350,000	Long	71.45%
Cai Weike ("Mr. Cai")	Interest in controlled corporation (Note 1)	274,350,000	Long	71.45%
Zhang Meiyun ("Ms. Zhang")	Interest of spouse (Note 2)	274,350,000	Long	71.45%

Notes:

- (1) Real Hero is an investment holding company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Cai. Accordingly, Mr. Cai was deemed to be interested in all the shares held by Real Hero by virtue of the SFO.
- (2) Ms. Zhang is the spouse of Mr. Cai and was deemed to be interested in all the shares Mr. Cai was interested in by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, 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 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 aggregate number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

# Report of Directors

The total number of shares of the Company which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and other share option schemes must not, in aggregate, exceed 10% of the shares of the Company in issue as at the Listing Date (the “**Scheme Mandate Limit**”) provided that options lapsed in accordance with the terms of the Share Option Scheme or other share option schemes will not be counted for the purpose of calculating the Scheme Mandate Limit.

As at 31 December 2022, the total number of shares of the Company in respect of which share options may be granted under the Share Option Scheme shall not exceed 32,000,000 ordinary shares, being 10% of the total number of ordinary shares of the Company in issue as at the Listing Date and approximately 8.33% of the number of shares of the Company in issue as at the date of this annual report. The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.

Eligible persons under the Share Option Scheme include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the “**Invested Entity**”) in which any member of the Group holds an equity interest; (b) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK\$1 is payable by the grantee on acceptance of the grant of an option. The option may be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price of the shares in respect of which the notice is given together with the reasonable administration fee specified by the Company from time to time. Within 28 days after receipt of the notice and the remittance, the Company shall allot and issue the relevant shares, credited as fully paid, and a share certificate for the relevant shares so allotted to the grantee.

The subscription price for the shares of the Company under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of shares of the Company as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share of the Company.

# Report of Directors

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 4 years and 8 months.

Up to 31 December 2022, no share option has been granted under the Share Option Scheme.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out in this annual report, no equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the year or subsisted at the end of the year.

## 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.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the shares.

## 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.

## CONNECTED TRANSACTION

### Connected relationship

The Group has entered into two joint venture agreements with, among others, two indirectly wholly-owned subsidiaries of Hysan Development Company Limited (“**Hysan**”) in respect of the formation of two joint venture companies to open and operate two restaurants offering Japanese and Shanghainese cuisine in Lee Garden Two, Causeway Bay in 2017. The two joint venture companies have been incorporated and are subsidiaries of the Company, of which 29% equity interest are owned by Hysan (through its relevant indirectly wholly-owned subsidiary). Therefore, Hysan and its subsidiary (the “**Hysan Group**”) (including the various landlords and licensor under the lease and licence agreement and the existing connected leases and licence agreements) is a connected person of the Company at the subsidiary level.

## Connected transaction and connected lease and licence agreement

References are made to the announcements of the Company dated 25 May 2022 and 9 September 2022, a wholly-owned subsidiary of the Company, as tenant, signed the lease and licence agreements with a group company of Hysan Group, as landlord, to renew the lease and licence of certain premises in Lee Garden One to operate our Gonpachi Restaurant and An Nam Restaurant (the “**Lee Garden One Lease**”).

On 29 August 2022, the landlord of the Lee Garden One Lease served written notice to the Group to early terminate the Lee Garden One Lease on 31 January 2023 due to its plan for renovation works to be carried out at Lee Garden One. Pursuant to the lease and licence agreements, the expiry date of the term of the Lee Garden One Lease was 31 May 2023, and the relevant landlord may early terminate the lease and the licence granted thereunder without compensation by three months’ and one month’s notice, respectively, to the tenant.

References are made to the announcements dated 9 September 2022, 1 March 2023 and the circular dated 29 September 2022, a wholly-owned subsidiary of the Company, Gonpachi Restaurant Limited, as tenant, signed the lease and licence agreements with a group company of Hysan Group, as landlord, to lease/license certain premises in Lee Garden Two for the relocation of our Gonpachi Restaurant and An Nam Restaurant. Pursuant to the lease and licence agreements, the term will be from 8 October 2022 to 31 January 2029 (the “**Lee Garden Two Lease**”).

References are made to the announcements of the Company dated 30 August 2022 and 28 October 2022, the Group signed a lease agreement with a group company of Hysan Group to renew the lease of certain premises in Lee Garden Two to operate our restaurant under 10 Shanghai brand (the “**10-Shanghai Lease**”).

The Group operates two restaurants offering Japanese and Shanghainese cuisines in Lee Garden Two in joint venture with Hysan Group. The two joint venture companies that operate the two restaurants are subsidiaries of the Company and each of them is owned as to 29% by Hysan Group. Accordingly, Hysan Group (including the landlord) is a connected person of the Company at the subsidiary level and the acquisition of right-of-use assets by the Group pursuant to Hong Kong Financial Reporting Standards (“**HKFRS**”) 16 under the above leases also constitutes connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

## Summary of terms for the Lee Garden One Lease

Agreement Date	:	25 May 2022 (Note 1)
Parties		
— Tenant/Licensee	:	1957 & Co. (Management) Limited, a wholly-owned subsidiary of the Company
— Landlord/Licenser	:	Perfect Win Properties Limited, a wholly-owned subsidiary of Hysan
Location	:	4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, certain areas on 4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Term of lease/licence	:	1 year commencing from 1 June 2022 to 31 May 2023 (both days inclusive)
Monthly rent/licence fee and other charges (exclusive of rates and other outgoings)	:	<ul style="list-style-type: none"><li>— a fixed basic rent</li><li>— turnover rent of a fixed percentage of monthly gross sales exceeding basic rent set out above</li><li>— fixed operating charges and promotional levy (other charges include extra operating charges of air-conditioning and/or chilled water as requested beyond the standard provision)</li><li>— a fixed license fee inclusive of operating charges and promotional levy</li></ul>
Total consideration	:	Approximately HK\$15.9 million

# Report of Directors

## Summary of terms for the Lee Garden Two Lease

Agreement Date	:	9 September 2022 (Note 2)
Parties		
— Tenant/Licensee	:	Gonpachi Restaurant Limited, a wholly-owned subsidiary of the Company
— Landlord/Licensor	:	Barrowgate Limited, a wholly-owned subsidiary of Hysan
Location	:	<i>in respect of the lease agreement:</i> Shop Nos. 301–306 and 307–308 & 311 on the Third Floor of Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong <i>in respect of the licence agreement for Roof Garden No. 1:</i> All that Roof Garden No. 1 on the Third Floor of Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong <i>in respect of the licence agreement for Shop No. 310:</i> Shop No. 310 on the Third Floor, Lee Garden Two of 28 Yun Ping Road, Causeway Bay, Hong Kong
Term of lease/licence	:	approximately six years and four months, from 8 October 2022 to 31 January 2029 (both days inclusive)
Monthly rent/licence fee and other charges (exclusive of other outgoings)	:	<ul style="list-style-type: none"><li>— a fixed basic rent</li><li>— turnover rent of a fixed percentage of monthly gross sales exceeding basic rent set out above</li><li>— fixed operating charges, promotional levy and rates (other charges include extra operating charges of air-conditioning and/or chilled water as requested beyond the standard provision)</li><li>— a fixed license fee inclusive of operating charges and promotional levy</li></ul>
Total consideration less fitting out subsidy	:	Approximately HK\$59.0 million

## Summary of terms for the 10-Shanghai Lease

Agreement Date	:	29 September 2022
Parties		
— Tenant	:	1957 and Partners Limited, a subsidiary owned as to 51% by of the Company
— Landlord	:	Barrowgate Limited, a wholly-owned subsidiary of Hysan
Location	:	Shop No. 101 on the First Floor of Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong
Term of lease	:	2 years commencing from 1 October 2022 to 30 September 2024 (both days inclusive)
Monthly rent fee and other charges (exclusive of other outgoings)	:	<ul style="list-style-type: none"><li>— a fixed basic rent</li><li>— turnover rent of a fixed percentage of monthly gross sales exceeding basic rent set out above</li><li>— fixed operating charges, promotion levy and rates (other charges include extra operating charges of air-conditioning and/or chilled water as requested beyond the standard provision)</li></ul>
Total consideration	:	Approximately HK\$15.8 million

### Notes:

- (1) The date represented the date when the Group signed the Lee Garden One Lease for an additional term of one year until 31 May 2023. The Group received the fully executed lease and license agreement on 29 August 2022.
- (2) The date represented the date when the Group signed the Lee Garden Two Lease for six years from 8 October 2022 to 31 January 2029. The lease and licence agreements are executed by the landlord on 27 January 2023 and 9 February 2023 respectively.



## Reasons for and benefit of the Lee Garden One Lease and Lee Garden Two Lease

The Group's Gonpachi Restaurant and An Nam Restaurant have been operated at Lee Garden One since 2013. The Board believes that, taking into account the historical performance of the restaurants, the renewal of the lease agreement and license agreement for Lee Garden One will enable the Company to secure the location for Gonpachi Restaurant and An Nam Restaurant.

On 29 August 2022, the landlord of the Lee Garden One Lease served written notice to the Group to early terminate the Lee Garden One Lease on 31 January 2023 due to its plan for renovation works to be carried out at Lee Garden One. As such, the Group has to identify appropriate locations for the relocation and considered that the premises to be an appropriate location taking into account factors such as the area of premises, its proximity to current location of the two restaurants, the environment and terms of the lease, etc.

Given that the term of the Lee Garden Two Lease will commence on 8 October 2022, the Group expected to have sufficient time to complete the fitting out works for the relocation prior to the termination of the Lee Garden One Lease. The Group planned to operate An Nam Restaurant and Gonpachi Restaurant in its current locations until 31 January 2023, and the relocation was expected to take place in early February 2023. Such relocation will not cause material disruption to the Group's business operations or financial conditions. The Board believes that, taking into account the historical performance of Gonpachi Restaurant and An Nam Restaurant, entering into of the Lee Garden Two Lease will have a positive impact on the future development of the Company.

## Reasons for and benefit of the 10-Shanghai Lease

One of our currently operating restaurants, 10 Shanghai, has been situated at the premises in Causeway Bay since 2017. The Board believes that, taking into account the historical performance of the 10 Shanghai Restaurant, the renewal of 10-Shanghai Lease will have a positive impact on the future development of the Company. The renewal of the lease agreement for the premises will enable the Company to secure the location for our 10 Shanghai Restaurant.

## NON-FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2022, the Company has also entered into certain continuing connected transactions with connected persons (as defined under the GEM Listing Rules) which were not fully-exempted from reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 20 of the GEM Listing Rules (the "**Non-fully Exempted Continuing Connected Transactions**"). Details of which are set out below. The independent non-executive Directors have reviewed these transactions and confirmed that the continuing connected transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Non-fully Exempt Continuing Connected Transactions with the Group were as follows:

# Report of Directors

## Leases and licence of premises from substantial shareholder of our subsidiaries

We have entered into three leases and one licence with Hysan Group in respect of the lease or licence of certain properties or area from Hysan Group to our Group for our restaurant operations (the “**Connected Leases and Licence Agreements**”). These premises and licensed area are located in Lee Garden One and Lee Garden Two, both of which are shopping malls in Causeway Bay.

These Connected Leases and Licence Agreements were entered into by our Group in the ordinary course of business after having considered, among others, the location of these properties and the terms offered by Hysan Group.

### Leasing of properties — operating lease rental/license fee paid

Name of counterparty (Note 1)	Date of signing by the Company/ agreement	Leased premises	Terms	Amount for the year (HK\$'000)	Annual cap (HK\$'000) (Note 2)
(1) Perfect Win Properties Limited	25 May 2022	4/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	From 1 June 2022 to 31 May 2023	141	800
(2) Barrowgate Limited	17 August 2017	Shop No. G01, G/F Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2017 to 30 September 2022	5,578	8,200
(3) Barrowgate Limited	29 September 2022	Shop No. 101, 1/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	From 1 October 2022 to 30 September 2024	4,863	8,000
Total				10,582	17,000

Notes:

- (1) Each of these companies is a member of the Hysan Group, which is a connected person of the Company by virtue of being a substantial shareholder of certain subsidiaries of the Group.
- (2) The basis of determination annual cap for the leased premises of 4/F Lee Garden One is primarily based on the annual turnover rent and the extra operating charges while excluded the base rent (which has been separately taken into account as a connected transaction according to the relevant requirements under the GEM Listing Rules).

The basis of determination annual caps for the leased premises of Shop No. G01 and Shop No. 101 respectively in Lee Garden Two are based on the turnover rent and other charges while excluded the base rent (which has been separately taken into account as a connected transaction) according to the relevant requirements under the GEM Listing Rules.

# Report of Directors

Pursuant to Rule 20.54 of the GEM Listing Rules, the Directors engaged the auditor of the Company to perform certain work on the above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has provided a letter to the Directors and confirmed that, for the year ended 31 December 2022:

- a. nothing has come to their attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. nothing has come to their attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- c. with respect to the aggregate amount of each of the continuing connected transactions set out the continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

The related party transactions as disclosed in note 28 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company as defined in Chapter 20 of the GEM Listing Rules and are in compliance with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed in this annual report, during the year, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 20 of the GEM Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

## DONATIONS

During the year, the charitable and other donations made by the Group amounted to approximately HK\$18,000.

## SIGNIFICANT LEGAL PROCEEDINGS

During the year, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to providing an environmental friendly culture and atmosphere within the Group. Details of such are set out in the 'ESG Report' contained in this annual report.

# Report of Directors

## RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and has been in force since 5 December 2017. The Company has taken on and maintained appropriate insurance cover in respect of potential legal actions against the Directors.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2022.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 44 to 63 of this annual report.

The compliance officer and the joint company secretaries of the Company are Mr. Kwok Chi Po and Mr. Fong Chi Wing and Mr. Tsang Ho Yin respectively. With effect from 19 August 2022, Mr. Tsang Ho Yin was appointed as the joint company secretary to assume the duties of company secretary with Mr. Fong Chi Wing. Their biographical details are set out on page 25 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the year and as of the date of this annual report.

## AUDITOR

PricewaterhouseCoopers was appointed as the Auditor for the year ended 31 December 2022. The accompanying financial statements prepared in accordance with HKFRSs have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the Auditor for the year ending 31 December 2023 will be proposed at the AGM.

## PUBLICATION OF INFORMATION ON WEBSITES

This annual report is available for viewing on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.1957.com.hk](http://www.1957.com.hk).

## CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from 24 May 2023 to 30 May 2023, both days inclusive, during which period no transfer of the shares will be registered. To be eligible to attend the AGM, Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 10:30 a.m. on 28 May 2023.

On behalf of the Board

**Kwok Chi Po**

*Executive Director*

Hong Kong, 22 March 2023



# Corporate Governance Report

The Board is pleased to present the corporate governance report (the “**CG Report**”) of the Company for the year ended 31 December 2022.

## CORPORATE GOVERNANCE PRACTICES

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.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established four Board committees including the Audit Committee, the remuneration committee (the “**Remuneration Committee**”), the nomination committee (the “**Nomination Committee**”) and strategic development committee (the “**Strategic Development Committee**”) (together, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

### Board Composition

As at the date of this annual report, the Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors as follows:

#### Executive Directors:

Mr. Wong Chi Wing Kinson (*Chairman*) (appointed as Executive Director on 19 August 2022 and as Chairman on 19 December 2022)

Mr. Kwok Chi Po (*Chief Executive Officer*)

Mr. Lau Ming Fai (*Chief Operating Officer*)

Ms. Tsui Ngan Fun (appointed on 19 December 2022)

Ms. Lin Huiqin (appointed on 19 December 2022)

Mr. Cai Weike (appointed on 19 August 2022 and resigned on 19 December 2022)

Mr. Kwan Wing Kuen Tino (resigned on 19 August 2022)

#### Non-executive Directors:

Mr. Chan Wai Fung (appointed on 19 August 2022)

Mr. Leung Chi Tien Steve (resigned on 19 August 2022)

Ms. Chan Siu Wan (resigned on 19 August 2022)

# Corporate Governance Report

## **Independent Non-executive Directors:**

Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)  
Mr. Huen, Felix Ting Cheung (appointed on 19 August 2022)  
Ms. Cheang Ana (appointed on 19 August 2022)  
Mr. How Sze Ming (resigned on 19 August 2022)  
Mr. Ng Wai Hung (resigned on 19 August 2022)  
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)

The biographies of the Directors are set out under the section headed “Directors and Senior Management” in this annual report.

During the year, the Board has met at all times the requirements under Rules 5.05(1) and 5.05(2) of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 5.05A of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company’s performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider Board diversity in terms of, among other things, gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 5.09 of the GEM Listing Rules, the Company considers all of them to be independent parties.

Save as disclosed in the Directors’ biographies set out in the section headed “Directors and Senior Management” in this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executives of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

# Corporate Governance Report

## Induction and Continuous Professional Development

Newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also provides regular updates on latest development and changes in the GEM Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company will continue to arrange training to the Directors in accordance with code provision C.1.4 of the CG Code.

According to the information provided by the Directors, a summary of training received by the Directors throughout the year ended 31 December 2022 is as follows:

Name of Directors	Nature of Continuous Professional Development (Notes)
<b>Executive Directors</b>	
Mr. Wong Chi Wing Kinson ( <i>Chairman</i> ) (appointed as Executive Director on 19 August 2022 and as Chairman on 19 December 2022)	A&B&C
Mr. Kwok Chi Po ( <i>Chief Executive Officer</i> )	A&B
Mr. Lau Ming Fai ( <i>Chief Operating Officer</i> )	A&B
Ms. Tsui Ngan Fun (appointed on 19 December 2022)	A&B
Ms. Lin Huiqin (appointed on 19 December 2022)	A&B
Mr. Cai Weike (appointed on 19 August 2022 and resigned on 19 December 2022)	A&B&C
Mr. Kwan Wing Kuen Tino (resigned on 19 August 2022)	A&B
<b>Non-executive Directors</b>	
Mr. Chan Wai Fung (appointed on 19 August 2022)	A&B&C
Mr. Leung Chi Tien Steve (resigned on 19 August 2022)	A&B
Ms. Chan Siu Wan (resigned on 19 August 2022)	A&B
<b>Independent Non-executive Directors</b>	
Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)	A&B&C
Mr. Huen, Felix Ting Cheung (appointed on 19 August 2022)	A&B&C
Ms. Cheang Ana (appointed on 19 August 2022)	A&B&C
Mr. How Sze Ming (resigned on 19 August 2022)	A&B
Mr. Ng Wai Hung (resigned on 19 August 2022)	A&B
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)	A&B

Notes:

- A: Attending seminars and/or meetings and/or forums and/or briefings
- B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances
- C: Attending training relevant to the Company's business conducted by lawyers for new appointed director

# Corporate Governance Report

## Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The Chairman of the Board and the chief executive officer of the Company (the “**Chief Executive Officer**”) are currently two separate positions held by Mr. Wong Chi Wing Kinson and Mr. Kwok Chi Po, respectively, with clear distinction in responsibilities. The Chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

## Appointment, Resignation and Re-election of Directors

Two of the executive Directors have signed service contracts with the Company for a term of three years commencing from the Listing Date, which may be renewable subject to both parties’ agreement.

Three of the executive Directors have signed service contracts with the Company for a term of three years commencing from their respective appointment dates, which may be renewable subject to both parties’ agreement.

The non-executive Director and each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing from their respective appointment dates, which may be renewable subject to both parties’ agreement.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

During the year, Mr. How Sze Ming, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason had retired and been re-elected at the annual general meeting of the Company held on 27 May 2022. Mr. How Sze Ming, Mr. Ng Wai Hung and Mr. Chan Kam Kwan Jason resigned on 19 August 2022.

Mr. Wong Chi Wing Kinson, Ms. Tsui Ngan Fun, Ms. Lin Huiqin, Mr. Chan Wai Fung, Mr. Yim Hong Cheuk Foster, Mr. Huen, Felix Ting Cheung and Ms. Cheang Ana will hold the office until the AGM and will be eligible for re-election and re-appointment.

Mr. Kwok Chi Po and Mr. Lau Ming Fai will hold office until the AGM and retire from office by rotation and will be eligible for re-election and re-appointment.

# Corporate Governance Report

## Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the year, four board meetings and a general meeting were held and the attendance of each Director at these meetings is set out in the table below:

Name of Directors	Board meeting(s)	Attended/Eligible to attend the Annual General Meeting
<b>Executive Directors</b>		
Mr. Wong Chi Wing Kinson ( <i>Chairman</i> ) (appointed as Executive Director on 19 August 2022 and as Chairman on 19 December 2022)	1/1 (Note 1)	n/a (Note 2)
Mr. Kwok Chi Po	4/4	1/1
Mr. Lau Ming Fai	4/4	1/1
Ms. Tsui Ngan Fun (appointed on 19 December 2022)	n/a (Note 2)	n/a (Note 2)
Ms. Lin Huiqin (appointed on 19 December 2022)	n/a (Note 2)	n/a (Note 2)
Mr. Cai Weike (appointed on 19 August 2022 and resigned on 19 December 2022)	1/1 (Note 1)	n/a (Note 3)
Mr. Kwan Wing Kuen Tino (resigned on 19 August 2022)	3/3 (Note 4)	1/1
<b>Non-executive Directors</b>		
Mr. Chan Wai Fung (appointed on 19 August 2022)	1/1 (Note 1)	n/a (Note 2)
Mr. Leung Chi Tien Steve (resigned on 19 August 2022)	3/3 (Note 4)	1/1
Ms. Chan Siu Wan (resigned on 19 August 2022)	3/3 (Note 4)	1/1
<b>Independent Non-executive Directors</b>		
Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)	1/1 (Note 1)	n/a (Note 2)
Mr. Huen, Felix Ting Cheung (appointed on 19 August 2022)	1/1 (Note 1)	n/a (Note 2)
Ms. Cheang Ana (appointed on 19 August 2022)	1/1 (Note 1)	n/a (Note 2)
Mr. How Sze Ming (resigned on 19 August 2022)	3/3 (Note 4)	1/1
Mr. Ng Wai Hung (resigned on 19 August 2022)	3/3 (Note 4)	0/1 (Note 5)
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)	3/3 (Note 4)	1/1



# Corporate Governance Report

Notes:

- (1) There was one meeting held after the appointment of the relevant Director until the year end date.
- (2) There was no meeting held after the appointment of the relevant Director until the year end date.
- (3) There was no meeting held after the appointment and before the resignation of the relevant Director.
- (4) There were three meetings held before the resignation of the relevant Director.
- (5) The Director has other business engagement on the date of Annual General Meeting.

## 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.

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.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings and the code of conduct during the year.

## Delegation by the Board

The Board reserves for its decision for all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

## Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

- (a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on such matters;
- (e) to review the Company's compliance with the CG Code and disclosure in the CG Report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

# Corporate Governance Report

## BOARD COMMITTEES

The Board established four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategic Development Committee. The Board committees are provided with sufficient resources to discharge their duties.

### Audit Committee

The Audit Committee comprises three members, namely Mr. Yim Hong Cheuk Foster, Mr. Huen, Felix Ting Cheung and Ms. Cheang Ana, all of them are independent non-executive Directors. Mr. Huen, Felix Ting Cheung is the chairman of the Audit Committee.

The principal duties of the Audit Committee include the following:

1. To review the relationship with the Auditor by reference to the work performed by the Auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the Auditor;
2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the Auditor before submission to the Board; and
3. To review the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the year, four Audit Committee meetings were held and the attendance of each Director at these meetings is set out in the table below:

Name of Directors	Attended/ Eligible to attend the committee meeting(s)
<b>Independent Non-executive Directors</b>	
Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)	1/1 (Note 1)
Mr. Huen, Felix Ting Cheung ( <i>Chairman</i> ) (appointed on 19 August 2022)	1/1 (Note 1)
Ms. Cheang Ana (appointed on 19 August 2022)	1/1 (Note 1)
Mr. How Sze Ming (resigned on 19 August 2022)	3/3 (Note 2)
Mr. Ng Wai Hung (resigned on 19 August 2022)	3/3 (Note 2)
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)	3/3 (Note 2)

Notes:

- (1) There was one meeting held after the appointment of the relevant Director until the year end date.
- (2) There were three meetings held before the resignation of the relevant Director.

# Corporate Governance Report

During the meetings, the Audit Committee:

- reviewed two quarterly and one interim results and reports of the Group for the respective quarterly and interim periods during the year prepared by the finance and management team relating to accounting issues and major findings;
- reviewed the annual results of the Group for the year ended 31 December 2021 as well as the audit report prepared by the Auditor relating to accounting issues and major findings in course of audit; and
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the Auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

## Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Wong Chi Wing Kinson (Chairman and executive Director), Mr. Yim Hong Cheuk Foster (independent non-executive Director), and Ms. Cheang Ana (independent non-executive Director). Mr. Wong Chi Wing Kinson is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors; and
4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman of the Board and the executive Directors. The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

# Corporate Governance Report

During the year, one Nomination Committee meeting was held and the attendance of each Director at the meeting is set out in the table below:

Name of Directors	Attended/Eligible to attend the committee meeting
<b>Executive Director:</b>	
Mr. Wong Chi Wing Kinson ( <i>Chairman</i> ) (appointed on 19 August 2022)	n/a <sup>(Note 1)</sup>
Mr. Cai Weike ( <i>Chairman</i> ) (appointed on 19 August 2022 and resigned on 19 December 2022)	n/a <sup>(Note 1)</sup>
<b>Non-executive Director:</b>	
Mr. Leung Chi Tien Steve (resigned on 19 August 2022)	1/1
<b>Independent Non-executive Directors:</b>	
Mr. Yim Hong Cheuk Foster (appointed on 19 August 2022)	n/a <sup>(Note 1)</sup>
Ms. Cheang Ana (appointed on 19 August 2022)	n/a <sup>(Note 1)</sup>
Mr. Ng Wai Hung (resigned on 19 August 2022)	1/1
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)	1/1

Note:

(1) There was no meeting held after the appointment of the relevant Director until the year end date.

## Board Diversity Policy

On 7 November 2017, the Board adopted a board diversity policy (the “**Board Diversity Policy**”) and was revised on 1 January 2019, a summary of which is set out below:

1. In considering the composition of the Board, the Board is of the view that diversity can be considered from a number of perspectives, including gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
2. The above perspectives shall be taken into account in determining the optimal composition of the Board and where possible, should be balanced among one another as appropriate;
3. Appointments to the Board should be made based on merits and the contributions that the individual is expected to bring to the Board, with due regard to the benefits of diversity in the Board; and
4. The Nomination Committee shall review the Board Diversity Policy and make recommendations to the Board on amendments to the Board Diversity Policy (if any) as appropriate, which will include an assessment of the implementation and effectiveness of the Board Diversity Policy on an annual basis in accordance with code provision B.1.3 of the CG Code. The Board Diversity Policy is available on the website of the Company for public information.

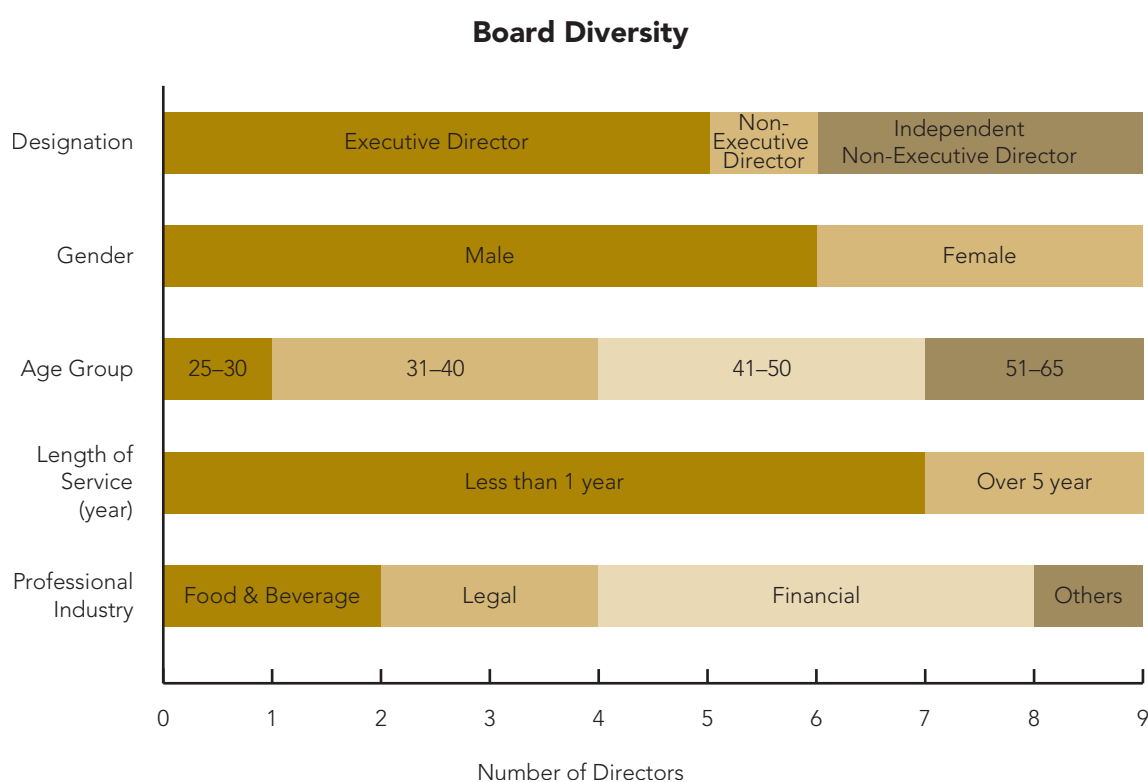
# Corporate Governance Report

## Gender Diversity

The Board currently has three female Directors and as such has achieved gender diversity in respect of the Board. We will continue to strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the Shareholders' expectation and international and local recommended best practices. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and we are committed to providing career development opportunities for female staff so that we will have a pipeline of female senior management and potential successors to our Board in near future.

As at 31 December 2022, as set out in the section headed "7. Our Commitment to Our People — D. Employees Data" in the ESG Report contained in this annual report, among the 467 employees (including senior management) of the Group, the percentages of male employees and female employees are 53% and 47%, respectively. The Board considers that the Group's workforce (including senior management) is diverse in terms of gender.

As at the date of this annual report, the Board's composition under major diversified perspectives was summarised as follows:



During the year, the Nomination Committee conducted reviews and made corresponding recommendations to the Board in respect of the following matters:

1. The size, structure and composition of the Board and its list;
2. The re-election of members of the Board retiring at the 2022 annual general meeting of the Company; and
3. An annual assessment of the independence of each independent non-executive Director.



# Corporate Governance Report

## Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Yim Hong Cheuk Foster (independent non-executive Director), Mr. Wong Chi Wing Kinson (executive Director) and Mr. Huen, Felix Ting Cheung (independent non-executive Director). Mr. Yim Hong Cheuk Foster is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include the following:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, of which a significant portion of executive Director's remuneration should link rewards to corporate and individual performance, and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. either:
  - (a) to determine with delegated responsibility the remuneration packages of individual executive Directors and senior management; or
  - (b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors;
5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
8. to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
9. to review and/or approve matters relating to share schemes under Chapter 23 of the GEM Listing Rules.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

# Corporate Governance Report

During the year, one Remuneration Committee meeting was held and the attendance of each Director at the meeting is set out in the table below:

Name of Directors	Attended/Eligible to attend the committee meeting
<b>Executive Directors:</b>	
Mr. Wong Chi Wing Kinson (appointed on 19 December 2022)	n/a <sup>(Note 1)</sup>
Mr. Cai Weike (appointed on 18 November 2022 and resigned on 19 December 2022)	n/a <sup>(Note 2)</sup>
Mr. Kwok Chi Po (ceased to be a member on 18 November 2022)	1/1
<b>Independent Non-executive Directors:</b>	
Mr. Yim Hong Cheuk Foster (Chairman) (appointed on 19 August 2022)	n/a <sup>(Note 1)</sup>
Mr. Huen, Felix Ting Cheung (appointed on 19 August 2022)	n/a <sup>(Note 1)</sup>
Mr. How Sze Ming (resigned on 19 August 2022)	1/1
Mr. Chan Kam Kwan Jason (resigned on 19 August 2022)	1/1

Notes:

- (1) There was no meeting held after the appointment of the relevant Directors until the year end date.
- (2) There was no meeting held after the appointment and before the resignation of the relevant Director.

## Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 21 to 27 of this annual report, for the year ended 31 December 2022 are set out below:

Remuneration bands	Number of individuals
Nil to HK\$1,000,000	7
HK\$1,000,001 to HK\$2,000,000	3
HK\$2,000,001 to HK\$3,000,000	1

During the year, the Remuneration Committee reviewed the remuneration package and assessed the performance of executive Directors and senior management and the Directors' fees proposal and made recommendation to the Board.

## Strategic Development Committee

The Strategic Development Committee currently comprises six members including five executive Directors, namely Mr. Wong Chi Wing Kinson, Mr. Kwok Chi Po, Mr. Lau Ming Fai, Ms. Tsui Ngan Fun and Ms. Lin Huiqin and a non-executive Director, namely Mr. Chan Wai Fung. Mr. Wong Chi Wing Kinson is the chairman of the Strategic Development Committee.

The principal duties of the Strategic Development Committee include the following:

- (1) to research market trends, analyse competitive dynamics, and review and make recommendations to the Board on development strategies and plans;

# Corporate Governance Report

- (2) to develop strategic plans and annual implementation plans, including but not limited to:
  - (i) shop opening and distribution,
  - (ii) brand strategies,
  - (iii) investment decisions,
  - (iv) personnel development,
  - (v) service quality standard, and
  - (vi) resource forecast;
- (3) to monitor and review the implementation and execution of the plans;
- (4) to reshape the implementation direction and/or revise the development strategies or plans, if necessary, in response to significant matters affecting development strategies and plans;
- (5) to report to the Board on its decisions or recommendations and update the Board of the implementation status of the development strategies or plans; and
- (6) to deal with other matters authorised by the Board.

The written terms of reference of the Strategic Development Committee are available on the websites of the Stock Exchange and the Company.

During the year, no Strategic Development Committee meeting was held since its establishment to the end of the year.

## **DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2022 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 94 to 98 of this annual report.

# Corporate Governance Report

## INTERNAL CONTROL AND RISK MANAGEMENT

### Responsibility

Our Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained, while management is responsible for designing and implementing risk management and internal control systems to manage risks. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objectives.

### Risk Management and Internal Controls Framework

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management, and the internal control systems. The Audit Committee acts on behalf of the Board to:

- i. Review the key business risks, and control measures to mitigate, reduce or transfer such risks; and
- ii. Review the business process and operations reported by internal audit and external consultants, including action plans to address any identified control weaknesses, as well as status updates and monitoring the implementation of audit recommendations.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's risk management and internal control systems.

The Board considers the work and findings of the Audit Committee in forming its own view on the effectiveness of the systems.

### Risk Management

The Group has established a risk management policy and formal risk assessment system. The Group's risk management framework comprises the following key elements:

1. Identify risks;
2. Analyse risks;
3. Evaluate risks; and
4. Treat risks.

# Corporate Governance Report

Senior management identifies the key risks that potentially impact the key business processes of their operations on an annual basis. The identified risks are analysed and evaluated using established risk assessment criteria which include appropriate qualitative and quantitative techniques, these identified risks are scored based on their likelihood of occurring and the impact on business should they occur. Such risk evaluation system helps to rank the risks and to prioritise risk management efforts to determine the appropriate risk mitigation plans (i.e. accept, reduce, transfer and avoid). Results of the annual risk assessment are reported to the Audit Committee, including the significant risks of the Group and the associated control activities to mitigate or transfer the identified risks. The risk assessment results indicated limited changes in the nature and extent of significant risks identified by the Group since the Listing Date. To provide assurance over the effectiveness of the risk mitigating controls, the Group has formulated a risk-based, 3-year internal audit plan which covers the identified risk mitigating controls and key business processes of the Group.

## Internal Controls

The Group has established policies and procedures including defined levels of responsibilities and reporting lines. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The Audit Committee, through assistance of an external consultant, has conducted a review of the effectiveness of the internal control system covering the material controls embedded in the Group's key business processes. This includes but not limited to the processes of the food safety and customer services management etc.

The Group has reviewed the need for an internal audit function since the Listing Date and considered it appropriate to adopt a co-sourcing model for its internal audit function. The Group has also engaged an external consultant to assist in its internal audit efforts during the year.

## Review of Risk Management and Internal Control Systems

In respect of the year ended 31 December 2022, the Board considers the risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. A review on the risk management and internal control systems is conducted on an annual basis.

During the review, the Board also considered the resources, qualification/experience of staff of the Group's internal control, accounting and financial reporting function, and their training and budget to be adequate.

## Disclosure of Inside Information

The Group is aware of its obligation of handling and dissemination of inside information under the GEM Listing Rules and the SFO. The Group has established an inside information management policy for identifying, monitoring and reporting inside information to our shareholders, investors, analysts and media. The internal policy is updated whenever required and adopted accordingly to guide its stakeholder communications and the determination of inside information in order to ensure consistent and timely disclosure. The Group conducts its affairs in accordance with the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012.



# Corporate Governance Report

## EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities and opinion on the Group's consolidated financial statements for the year ended 31 December 2022 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2022 was approximately as follows:

Types of services	Amount (HK\$'000)
Audit services	1,110
Non-audit services	366
<b>Total</b>	<b>1,476</b>

## JOINT COMPANY SECRETARIES

Mr. Tsang Ho Yin and Mr. Fong Chi Wing, the joint company secretaries of the Company, are jointly responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

During the year ended 31 December 2022, each of Mr. Tsang Ho Yin and Mr. Fong Chi Wing has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

## 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.

A Shareholder's communication policy was adopted by the Board at the Board meeting held on 6 November 2017 aiming to provide to the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. Extensive information about the Company's activities is provided in its interim report, quarterly reports and annual report, which are sent to Shareholders in due course. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. The notice of the annual general meeting is distributed to all Shareholders at least 21 days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which is taken by poll pursuant to the GEM Listing Rules. Results of the poll are published on both the website of the Stock Exchange and the Company. All corporate communication with Shareholders will be posted on the website of the Company for Shareholders' information.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy for the year ended 31 December 2022 and considered it to be effective.

# Corporate Governance Report

## BOARD INDEPENDENCE EVALUATION MECHANISM

The Company has adopted the board independence evaluation mechanism on 17 March 2022. The details are as follows:

### Objective

Continuing improvement and development of the Board and its committee processes and procedures through Board independence evaluation provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development.

The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

This mechanism is designed to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgment to better safeguard Shareholders' interests.

### Mechanism

- Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive Directors, for appointment as Directors.
- Nomination policy is in place with details of the process and criteria of identifying, selecting, recommending, cultivating and integrating new directorship.
- For independent non-executive Directors ("**INED(s)**"):
  - ▶ Every INED is required to confirm in writing to the Company his/her independence upon his/her appointment as Director with reference to such criteria as stipulated in the nomination policy as well as the GEM Listing Rules;
  - ▶ Each INED has to declare his/her past or present financial or other interests in the Group's business as soon as practicable, or his/her connection with any of the Company's connected persons (as defined in the GEM Listing Rules), if any; and
  - ▶ Each INED is required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence.
- The Nomination Committee will assess annually the independence of all INEDs and to affirm if each of them still satisfies the criteria of independence as set out in the GEM Listing Rules and is free from any relationships and circumstances which are likely to affect, or could appear to affect, their independent judgement. Every Nomination Committee member should abstain from assessing his/her own independence.
- Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it will set out in the circular to Shareholders the reasons it believes he/she should be elected and the reasons it considers him/her to be independent.
- A mechanism is in place for Directors to seek independent professional advice in performing their duties at the Company's expense.
- Directors are encouraged to access and consult with the Company's senior management independently, if necessary.

# Corporate Governance Report

- An annual review on Board independence (the “**Board Independence Evaluation**”) will be conducted, with an intention to ensure that it remains independent in judgement, and continues to present an objective and constructive challenge to the assumptions and viewpoints presented by the management.
- The Board Independence Evaluation may take in the form of a questionnaire to all Directors individually and may be supplemented by individual interview with each Director, if necessary, and/or in any other manners which the Board considers fit and necessary.
- The Board Independence Evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.
- The results of the Board Independence Evaluation or a summary of the findings of the said evaluation will be disclosed in the CG Report contained in the annual report of the Company or on the Company’s website for accountability and transparency purposes.
- The aforesaid Board Independence Evaluation will be regarded as an ongoing exercise of the Company while the Company may seek assistance from external consultant if an external evaluation on the same subject is needed.

During the year ended 31 December 2022 and as at the date of this report, the Board Independence Evaluation had been conducted by way of completing a questionnaire by all Directors. The results of the Board Independence Evaluation are summarised as follows:

1. The Board as a whole possessed the skills and range of experience needed to adequately fulfill its fiduciary responsibilities, more reliably hold management to account, and better safeguard Shareholders’ interests.
2. Board meetings were conducted in a manner that allowed open communication, meaningful participation (including in-depth discussion and resolutions of issues).
3. All INEDs brought independent judgement to bear on the Board’s deliberations.
4. All INEDs have actively participated in all Board meetings and Board Committees’ meetings; and raised governance and ethical issues to the Board.

## WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board adopted a whistleblowing policy on 17 March 2022. It provides employees and the relevant third parties who deal with the Group (e.g. customers, contractors and suppliers) with guidance and reporting channels on reporting any suspected improprieties in any matters related to the Group directly addressed to the designated person.

An email account (info@1957.com.hk) has been set up for this purpose. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and his/her identity will be kept confidential.

The Audit Committee will regularly review the whistleblowing policy to improve its effectiveness and employee confidence in the process and to encourage a “speak up” culture across the Company.

# Corporate Governance Report

## ANTI-CORRUPTION POLICY

In compliance with the code provision D.2.7 of the CG Code, the Board adopted an anti-corruption policy on 17 March 2022. It outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof to the management or through an appropriate reporting channel. The Group would not tolerate any forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board will review the anti-corruption policy to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

## DIVIDEND POLICY

Policy on payment of dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, including the Group's actual and expected financial performance, shareholders' interests, retained earnings and distributable reserves of the Company and each of the other members of the Group, the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject, possible effects on the Group's creditworthiness, any restrictions on payment of dividends that may be imposed by the Group's lenders, the Group expected working capital requirements and future expansion plans, liquidity position and future commitments at the time of declaration of dividend, taxation considerations, statutory and regulatory restrictions, general business conditions and strategies, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and other factors that the Board deems appropriate. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

### Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

# Corporate Governance Report

## ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company by mail to 33/F, Times Tower, 391–407 Jaffe Road, Hong Kong or by email: investor@1957.com.hk. Share registration matters shall be handled for the Shareholders by the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company have been amended and restated with effect from the Listing Date.

On 27 May 2022, a special resolution has been passed at the annual general meeting of the Company for the adoption of the second amended and restated Articles of Association:

- (i) bring the constitutional documents of the Company in line with the amendments made to the applicable laws of the Cayman Islands and the GEM Listing Rules,
- (ii) enhance corporate governance,
- (iii) incorporate certain housekeeping amendments, and
- (iv) update, modernise or clarify provisions where it is considered desirable.

Save as above, there was no other change on the memorandum and articles of association of the Company during the year.

## CONCLUSION

The Company believes that good corporate governance could ensure an effective distribution of the resources and shareholders' interests. The senior management will continue endeavors in maintaining, enhancing and increasing the Group's corporate governance level and quality.

# Environmental, Social and Governance Report

## 1. INTRODUCTION

1957 & Co. (Hospitality) Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**We**”) is pleased to present the Environmental, Social and Governance (“**ESG**”) report (the “**Report**”) for the year ended 31 December 2022. Under the continuous threat of COVID-19, the food and beverage industry still faced a lot of difficulties in the first half of the year 2022, especially when the dine-in services were banned between January and April 2022 in Hong Kong. In this environment, an operation with emphasis on sustainability can show strong resilience.

While pursuing the development of our core restaurants operation and management businesses with our dining concept on the theme “Create an Original Lifestyle”, the Company does not solely attach great importance to food quality and safety, but also on a multidimensional catering concept that can reflect sustainability, social caring, and innovation. To reduce emissions and pollutants, our new restaurants are using more electric stoves to replace traditional ones; we sponsored local communities to provide support to the underprivileged; we also continue to work with the local university to provide a venue for students to practice their skills learned in school.

By incorporating corporate social responsibilities into its business operation and development, the Company strives to make common progress and grow together with its customers, employees, shareholders and society. We hope that our actions in sustainability could help Hong Kong to achieve 2030 decarbonisation target and 2050 carbon neutral goal. The Company will continuously strengthen the ESG management mechanism and improve our ESG strategy to ensure sustainable and growing returns for our investors.

During the year 2022, we have started a new restaurant under the brand Modern Shanghai, and we rebranded Ta-ke with a new Japanese restaurant Akanoshou. As of 31 December 2022, we had thirteen restaurants under five self-owned brands and three franchised or sub-licensed brands in Hong Kong. We were dedicated to serving quality Thai, Vietnamese, Japanese, Shanghaiese and Italian cuisines to different customers through these various brands.

## 2. ABOUT THIS REPORT

This Report aims to disclose the sustainability and social approach and performance of the Group’s core business located in Hong Kong, emphasising the key issues with stakeholders’ highest concern (please refer to the ESG issues materiality matrix section). This Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The scope of the Report includes the headquarter and 12 restaurants in Hong Kong from 1 January 2022 to 31 December 2022, namely Ta-ke, An Nam (two restaurants), Modern Shanghai (two restaurants), 10 Shanghai and Hokkaidon and three franchised or sub-licensed brands, namely, Mango Tree (three restaurants), Gonpachi and Paper Moon. For Ta-ke, nine months data was recorded due to its closure on 1 October 2022. The consumption data of the new two restaurants, Modern Shanghai and Akanoshou, which were opened in the second half of the year, will be reported in next year’s report.

For more information on our approach regarding ESG matters or our financial performance and corporate governance, please refer to our official website at [www.1957.com.hk](http://www.1957.com.hk).



# Environmental, Social and Governance Report

## 3. SUSTAINABILITY MANAGEMENT

### A. The Board

The board of the Company (the “**Board**”) has ultimate accountability for the sustainability strategy of the Group, as well as its management, performance and reporting. The Board examines and approves the sustainability goals, objectives, policies and frameworks and reviews progress towards their implementation and achievement.

### B. Stakeholder engagement

Active communication with stakeholders is essential to the assessment of our current ESG strategy. The Group is committed to taking the initiative to continuously interact with key stakeholder groups. Diverse communication channels and platforms are established to exchange information and receive feedback from stakeholders, prompting adjustment and feedback in response to the changing needs and requirements of the stakeholders. Communication channels with major stakeholder groups were as below:

Stakeholder Group	Issues of Concern	Communication Channels
Investors and shareholders	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Risk Management</li> <li>Operations and strategy</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meeting</li> <li>Quarterly reports, corporate website, announcements, circulars and notices of meetings</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Remuneration and benefits</li> <li>Training and development</li> <li>Occupational health and safety</li> <li>Corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>Employee orientation</li> <li>Continuously training and workshop programs</li> <li>Performance reviews and appraisals</li> <li>Team building activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Food quality and safety</li> <li>Service</li> <li>Dining environment and experience</li> <li>Personal data collection policy</li> </ul>	<ul style="list-style-type: none"> <li>Customer service hotline</li> <li>Corporate website and social media channels</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Long-term business relationship</li> <li>Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>On-site inspection and performance review</li> <li>Tendering and other regular meetings</li> </ul>
Landlords	<ul style="list-style-type: none"> <li>Lease contract arrangement</li> <li>Corporate image and marketing</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Opening ceremonies of new shops</li> </ul>
Community	<ul style="list-style-type: none"> <li>Contribution to the community</li> <li>Promoting community harmony</li> <li>Pollution and other adverse effects</li> </ul>	<ul style="list-style-type: none"> <li>Press release</li> <li>Corporate website</li> <li>Community investment and activities</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Taxation compliance</li> </ul>	<ul style="list-style-type: none"> <li>Seminars and training</li> <li>Responses to government policies</li> </ul>

# Environmental, Social and Governance Report

## C. ESG issues materiality matrix

Based on the stakeholders’ feedback collected from the aforementioned channels, 15 ESG-related material issues were identified and classified into four aspects, namely, environment, employment, quality and social aspects. Accordingly, we consider the issues located near or in the top right-hand portion of the matrix to be more important. Due to the persistence of COVID-19, health and safety continued to serve as one of the most important issues in the reporting year, while food safety and hygiene, food research and development (“R&D”) and quality and customer service are the top issues for our stakeholders and our business. With the growing concern by our customers on food quality and dining experience, development and training of our employees as well as supply chain management raised to the second batch of the most important issues in 2022. The Report is concentrated to provide comprehensive disclosures on these top issues, with sufficient disclosures for other issues.

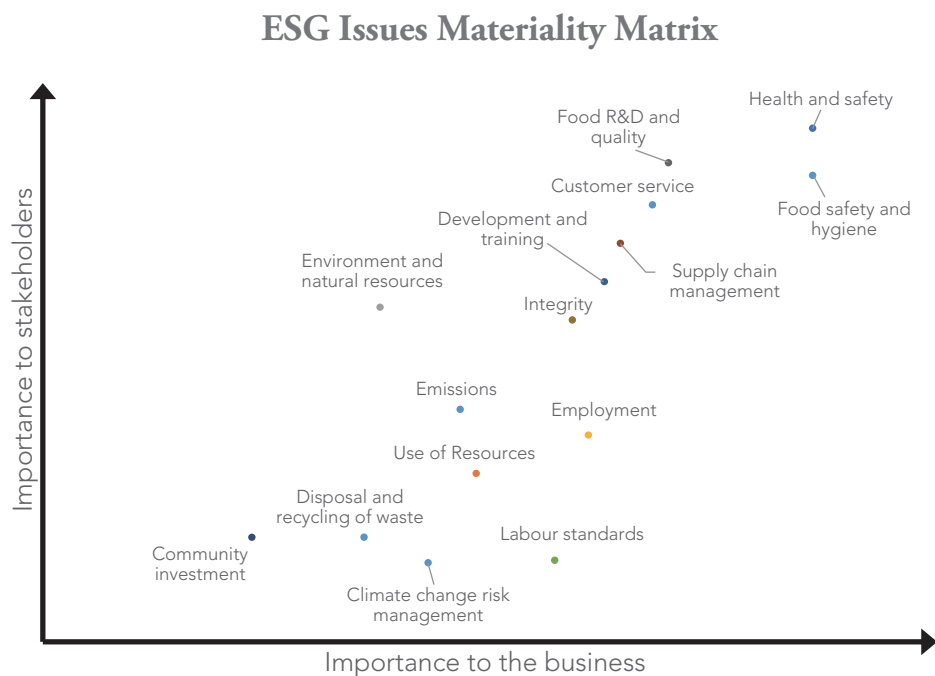


Figure 1 — ESG issues materiality matrix showing the issues that are important to stakeholders and the business

# Environmental, Social and Governance Report

## 4. OUR COMMITMENT TO THE ENVIRONMENT

### A. Introduction

Our Group has strictly implemented environmental-friendly measures according to the relevant Laws of Hong Kong and specific guidance in the food industry. Regarding disposal and discharge of wastes, we have strict compliance with the Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), ensuring all sewage is treated properly before the discharge. On the other hand, according to Zero Foodprint organisation, 70% of a restaurant's foodprint comes from the production of its ingredients. Greenhouse gases are the major cause of climate change and global warming. Reducing our carbon footprint over the long term is one of our key focuses of environmental policy, such that we could create sustainable food choices for our customers. Our other policies are as follows:

- Strengthening the ESG management system and establishing comprehensive environmental policies to reduce negative impacts on society and the environment;
- Optimising operation process by advanced technology adaptation in office and restaurants;
- Reducing the carbon footprint of our dishes by selecting sustainable ingredients;
- Consuming energy, water, resources and raw materials efficiently; and
- Advocate sustainability concepts to employees to create a joint effort in green business development.

### B. Green office operation

To operate our restaurants operation and management business in a more sustainable manner, we do not only address the waste produced at the restaurants, but also implemented several measures to deal with the office waste.

#### Digitalisation of daily operation

- Adoption of electronic gadgets instead of the traditional documents in meetings, prompting the entire Company to operate in a more environmental-friendly way; and
- Monitor energy and resource consumption regularly and investigating usual usage of resources.

#### Office waste management

- Paper and toner box recycling; and
- Following the relevant laws and internal guidelines to handle computers and other electronic appliances that are to be disposed of to reduce the environmental impacts of e-waste.

#### Saving electricity resource

- Upgraded the traditional lighting to brand new LED lamps with higher illuminance and power efficiency; and
- Air-conditioning systems with programmable thermostats to turn on or off the devices automatically.

# Environmental, Social and Governance Report

## C. Sustainable restaurants operation

### Reducing gaseous fuel consumption

- Installed a wide range of more environmentally friendly cooking stove in restaurants to reduce the fuel usage and greenhouse gases emission.

### Water conservation

- Implementation of sensor taps to optimise the amount of water used each time; and
- Raising employees' awareness to strike a balance between water-saving and the hygiene of kitchens by internal workshops and training.

### Using recyclable straws

- Recyclable paper straws are used for certain restaurants to minimise the negative impacts on ecosystems.

### Regular sanitation within the restaurants

- Eco-friendly disinfectant is used for cleaning the dining area to ensure customers as well as our employees are safe from various bacteria and virus that cause transmittable disease; and
- Several sanitation teams are on stand-by during the operation hours to monitor the cleanliness of the environment.

## D. Active waste recycling to minimise disposal

During our operation, we have invested tremendous efforts in reducing the amount of waste generated and have a standardised waste management system. The main generated waste from our restaurant operation is food waste. We do not produce any hazardous waste and packaging materials due to our business nature. Furthermore, our office promotes a digital workplace and therefore paper waste are kept at minimal. We believe by adopting the following practice, there will be no material non-hazardous waste generated.

### Solid food waste management

- Implementing cooked-to-order measure to minimise the amount of pre-cooked food and potential food waste.

### Waste cooking oil ("WCO") management

- In a contractual relationship with a licenced company handling waste cooking oil recycling since 2018 to collect and transport the WCO to the Environmental Protection Department ("EPD")'s facility;
- Providing training to our employees on the effective and efficient techniques of using cooking oil;
- Strictly followed the guidelines from the EPD to store and record the WCO on-site; and
- All of our restaurants have contracted their respective property management company and are using the centralised grease trap(s) located in the shopping malls.

During the reporting period, the assigned recycling company collected 39,868 litres (2021: 38,826 litres; 2020: 35,064 litres) of WCO from our restaurants, which represented an increase of 2.7% in WCO collected compared to last year and 13.7% compared to 2020. The intensity was about 0.1 tonne of oil per million Hong Kong dollars ("HK\$ million") of revenue. We will continue to explore initiatives to make the best use of the WCO.

### Poon Choi Pot Recycle Program

We launched a recycle program for poon choi pot in 2022 by offering HK\$200 dining coupon to our customers who consumed poon choi and return the pot for reuse. Such program had positive feedback.

# Environmental, Social and Governance Report

## E. Sustainable dishes and food sourcing

Natural resources are significant to our business operation as we value food quality greatly. Increased frequency of natural disasters and rising temperatures caused by climate change will increase our operational risks. It will directly affect the stability of food supply and the procurement process. In order to cope with the impacts of climate change, the Group has to be climate resilient. It is important to strengthen the supply chain management and corporate governance so that the operation can be flexible enough to deal with any situation under climate change.

During the supplier selection procedure, we consider sustainability, prioritising those suppliers using safer pesticides, transportation with less carbon footprint, and less damaging fishing method. In our restaurants, customers can also enjoy the Satsuma and Yonezawa beef from Kamichiku and Yonezawa farms in Japan. Kamichiku and Yonezawa farm are the biggest Wagyu farms in Kyushu and Yamagata. They are also part of the mutual-help communities. The farms will provide total mix ration, a systematic ration supply, feed for farmers to raise cattle. Farmers will use the excrement as compost for the field. A portion of the crops will then be fed to cattle again, forming a sustainable cycle.

We rely on nature greatly and we also respect it. We strive to maintain food sustainability and working our best to cause fewer impact on nature. We guarantee that our restaurants would only consume energy that is under absolute need and minimise the production of waste. We endeavour to strive for excellence in pursuing mutual coexistence and symbiosis with our environment.

## F. Acts to manage climate change risks

The Group realises that climate change may cause certain risks to the Group's business. Therefore, we have specifically paid attention to climate change and its impact in recent years. According to the Task Force on Climate-related Financial Disclosures ("TCFD"), climate change risks can be divided into physical risks and transition risks. TCFD has also pointed out that physical risk is the impact or loss caused to the company's real capital, which can be further subdivided into acute and chronic risks. While transition risk refers to the risks related to the transformation towards a low-carbon economy. Companies may experience regulatory risks and litigation in the process risks, technical risks, reputation risks, and market fluctuations incurred by the transition.

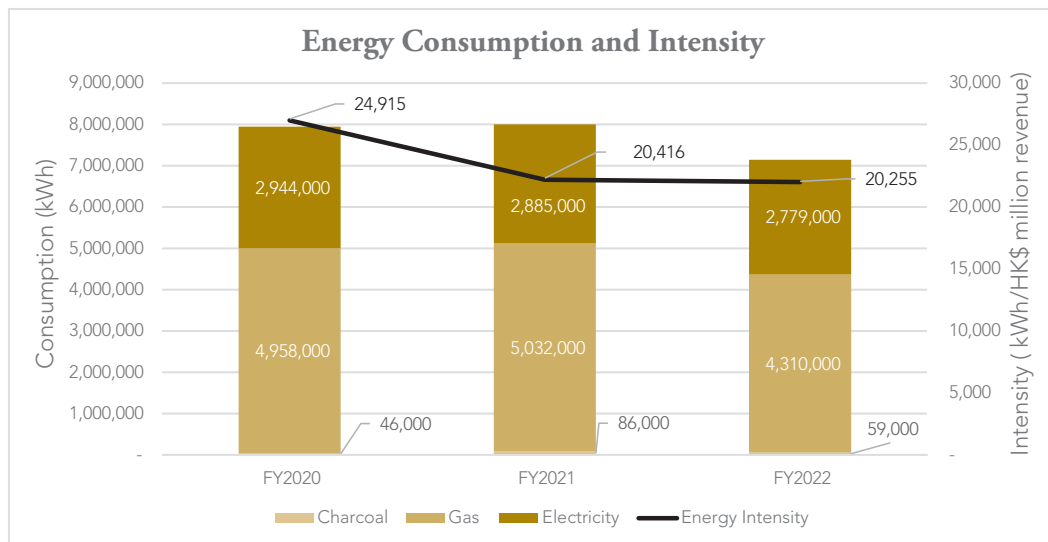
As a restaurant operator, we strive to ensure that the supply of our key ingredients can be safeguarded against foreseeable climate change risks, including the loss of habitats of various species. In recent decades, destruction of habitats in the ocean has been caused by over-fishing, and deforestation and desertification caused similar issues for animals and plants on land. While in no case we would use endangered species as ingredients, we acknowledge that some species in a particular region might decrease in number or completely disappear. As such, we actively scout for similar ingredients in different regions in the world, and at the same time conduct R&D activities on how our dishes may adapt to new ingredients, those that are less prone to climate change risks, or develop new dishes that make use of more resilient ingredient from a climate change perspective.

By exploring the risks and opportunities that climate change might bring, our management team formulates effective countermeasures and policies to deal with the climate change as well as reduce its impact on the business.

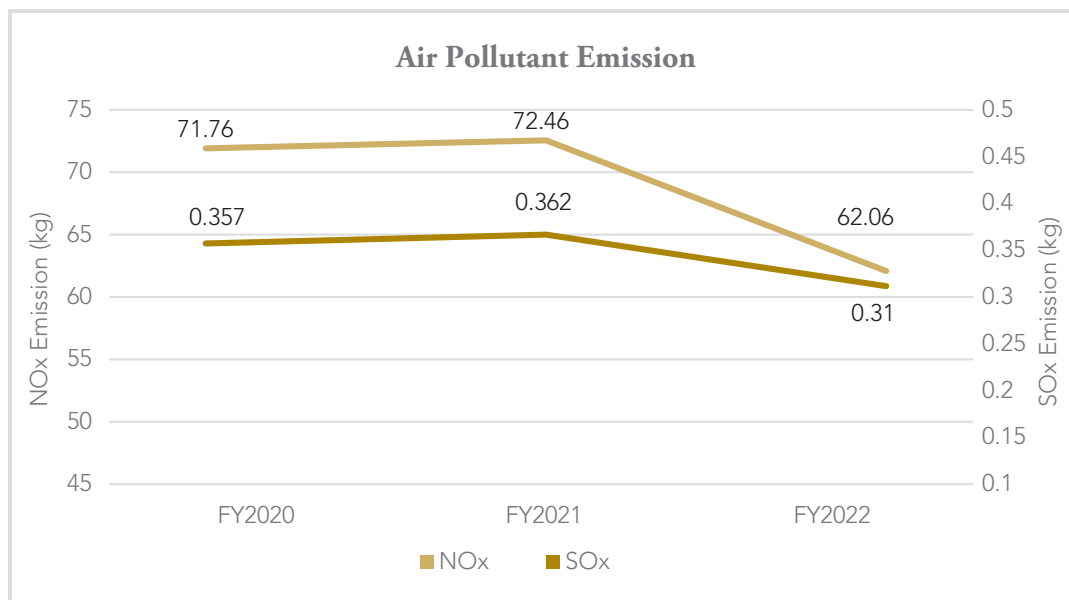
# Environmental, Social and Governance Report

## G. Energy consumption and emission data

Gas, electricity and charcoal are the major types of energy resources consumed by the Group. In 2022, the Group consumed 4,310,000 kilowatt-hour ("kWh") of gas, 2,779,000 kWh of electricity and 7,196 kg of charcoal (equivalent to 59,000 kWh). The total energy consumption was 7,148,000 kWh, which is a 10.7% reduction compared to the preceding year. The intensity was 20,255 kWh per HK\$ million.



The Group's gas consumption generates approximately 62.06 kg of sulphur oxides ("NOx") and 0.31 kg of nitrogen oxides ("SOx") as shown in the below diagram\*.

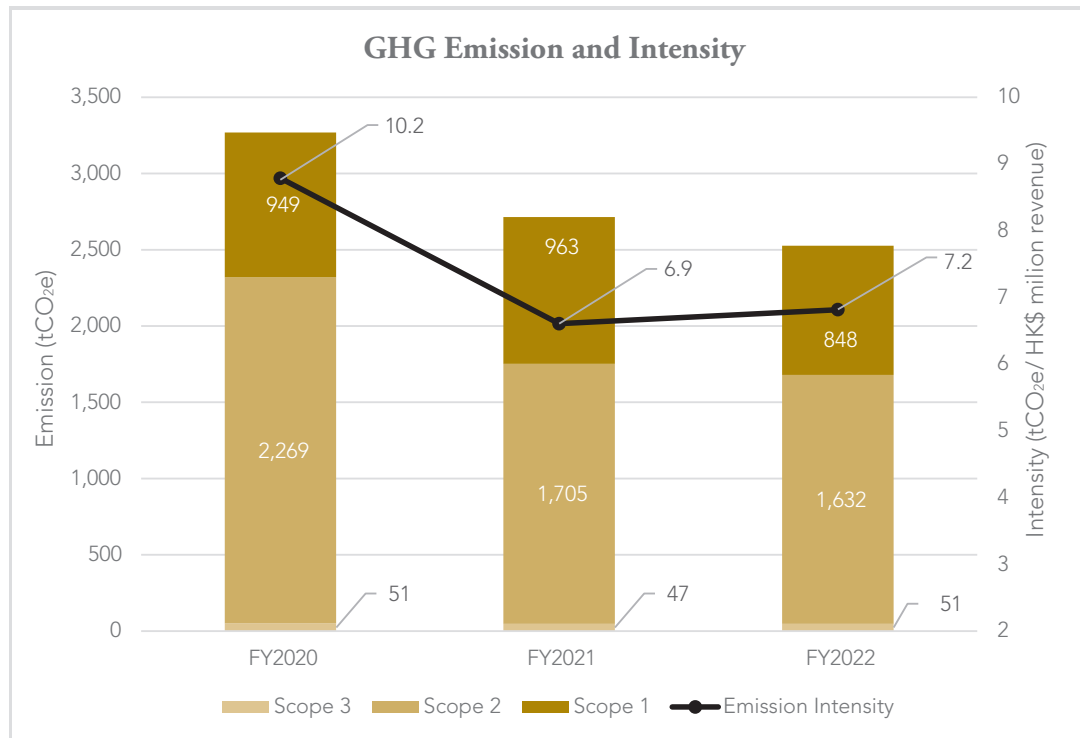


\* We have used a more precise conversion method and factors this year, therefore the figures in 2020 and 2021 were adjusted to cope with the figures in 2022 in order to perform a meaningful comparison with the data from a different time.



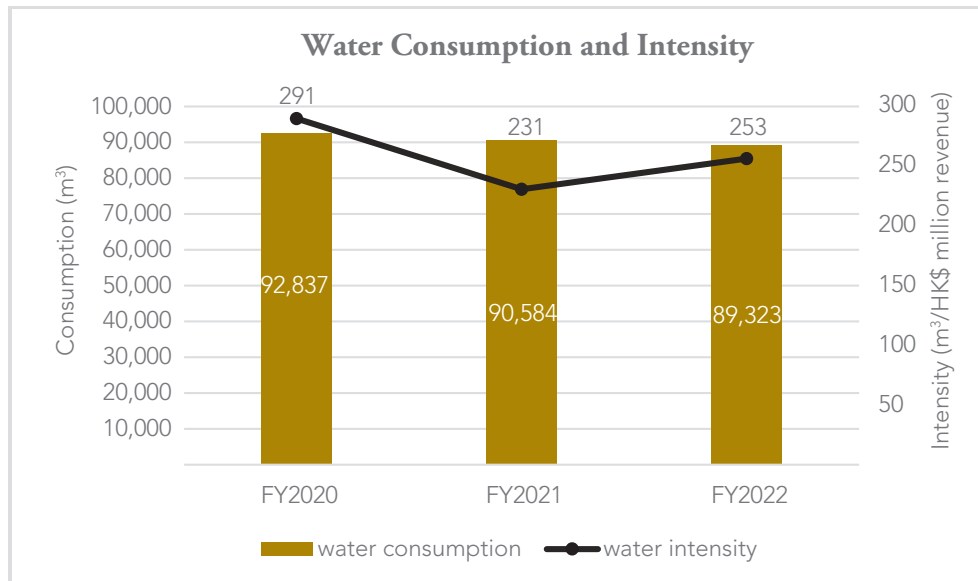
# Environmental, Social and Governance Report

In 2022, the total greenhouse gas (“GHG”) emissions amounted to 2,531 tonnes of carbon dioxide equivalent (“tCO<sub>2</sub>e”). 848 tCO<sub>2</sub>e were direct emissions (Scope 1), 1,632 tCO<sub>2</sub>e were indirect emissions (Scope 2) and the remaining 51 tCO<sub>2</sub>e were other indirect emissions (Scope 3), of which we included water consumption. The emission intensity was 7.2 tCO<sub>2</sub>e per HK\$ million revenue.



# Environmental, Social and Governance Report

Water is another resource that the Group consumed the most. The total consumption of water in 2022 was 89,323 cubic meters ("m<sup>3</sup>"). Compared to 90,584 m<sup>3</sup> in 2021, the water consumption was decreased by 1.4%. The water intensity was 253.1 m<sup>3</sup> per HK\$ million revenue. There was no issue in sourcing water that is fit for the purpose.



## H. Performance and goal

The above energy consumption and emission data for this reporting period cover all our twelve restaurants in Hong Kong. By comparing the figures for the years 2021 and 2022, we have similar performance, and we have improvements in some aspects.

In terms of energy, our consumption in both gas and electricity decreased. This is due to the ban of dine-in service from January to April 2022. Furthermore, our emissions of SO<sub>x</sub> and NO<sub>x</sub> have decreased over the year due to our reduced usage of gas.

Reviewing the past performance is important while setting goals for the future is also critical. Based on the past performance and our future business development plan, we arrived at the following goals for our environmental performance. As we intend to continue expanding our business and we are still reviewing and adjusting our environmental policy, we will set the goals at a reasonable and reachable level. The catering and hospitality industry was severely affected in the first half of 2022. As we moved into the middle of 2022, the situation has been gradually recovering. As such, we expect that our consumption of energies in absolute terms will increase in 2023 compared with 2022, but we will endeavour to maintain our energy and water consumption intensities in a stable level by mean of gradually replacing traditional stoves with electric ones to reduce gas emission. Also, we expect that our GHG emissions will increase in 2023 in absolute terms, but we aim at lowering the total GHG emissions intensities through our various policies. We will integrate the sustainability concept into every stage of our operation and enhance our environmental and social performance in the future.

# Environmental, Social and Governance Report

## 5. OUR COMMITMENT TO QUALITY

To retain customers as well as protecting their health, we put quality control of our services in a high place. There are several material issues identified and related policies are carried out to address the concerns.

Concerned issue	Related policies
Food quality	A. Procurement policy B. Internal health, safety and hygiene policy
Customer dining experience	C. Protecting intellectual property rights D. Our care to customers E. Data protection and privacy policies

### A. Procurement policy

The creation of quality dishes starts from sourcing quality ingredients. To ensure the input supply are in a high standard sustainably, the Group managed the supply chain with several standards. Our Group has formulated internal guidelines for the selection of suppliers, in which the stability of input quality, hygiene and reputation are the main concerns. Apart from the solid background of the suppliers, we also pay much attention to the ethics of suppliers. Our approved partners must not be associated with any of the following offences, including animal cruelty, local pollution, child labour and forced labour. Even if a supplier is on our approval list, we have a range of rigorous procurement and monitoring processes to assess our suppliers. Through regular visit to factories and workshops, we can assess the current conditions, such as the cleanliness of the products and the overall environment at which the products are prepared. If there are any problems discovered, a meeting with the respective supplier will be held to seek for the solutions and improvement. During the reporting period, we have traded with 222 suppliers; in terms of monetary amount traded, the top 10 of them accounted for 40.6%. All of them were Hong Kong-incorporated companies which might supply us with foreign products. While we aimed to specify the origin of our raw materials, due to various factors, such as difficulty and insecurity of logistics caused by the COVID-19 pandemic, it was not always possible; instead, we rely on our suppliers to provide us with the best raw materials based on their expertise and excellence in quality.

### B. Internal safety and hygiene policy

Workplace hygiene and safety are of our highest priorities for the restaurants' operations. The Group strives to provide high-ended dishes and experience to customers in a clean and safe environment that employees are comfortable with. To ensure our servings are in a consistently satisfactory standard, we follow not only the internal hygiene standard, but also the official supervising scheme as stated by the government. The Food and Environmental Hygiene Department (the "FEHD") has introduced the Hygiene Manager and Hygiene Supervisor Scheme (the "Scheme") under which all large food establishments and food establishments producing high-risk food are required to appoint a hygiene manager and a hygiene supervisor. Under that Scheme, all large food establishments producing high-risk food are required to be monitored by them on the hygiene level of the environment as well as the way food is handled. Food safety and hygiene are especially important under the persisting threats of COVID-19 and all employees are constantly reminded to try our best to prevent any cross infections within the restaurants and any food contaminations from occurring.

# Environmental, Social and Governance Report

The manager and supervisor of each restaurant are also responsible to promote and support hygiene and health regulations. They have to participate in extra courses to enhance their food safety knowledge of eliminating any food poisoning and foodborne illnesses. All employees must strictly follow the instructions regarding cleaning, storage and food processing at all times.

## **Measures in response to COVID-19 in 2022**

Since early 2022, Hong Kong was still facing the challenges brought by the COVID-19. The daily business operation has been inevitably affected drastically. To better protect our customers and the employees working in the restaurants, we have strictly followed the government's guidelines on virus control and updated the regulations on personal hygiene. We believe the following measures would help securing the health and safety of every stakeholder and supporting the communities to back on the right track.

For the health and safety of our customers, we constantly updating our COVID-19 Employee Cases Handling Guideline. Upon arrival at the workplace, all employees were required to take body temperature, clean hands and take a Rapid Test. Our employees would ensure the ventilation system was on for supplying sufficient fresh air. If any employee was feeling unwell, we will advise him/her to conduct Rapid Test and seek doctor's advice. Since 31 May 2022, we also required all casual workers and new employees to meet the vaccination requirements.

Over the past year, we have strictly followed government guidelines. Every customer was required to perform temperature check and scan the QR code with the "LeaveHomeSafe" digital app or register their information before entering the restaurants. Hand sanitisers were also provided for the customers to lower their chance of cross infections during their stays in the venues. After customers have finished their meals, employees would sanitise the facilities properly, including the plastic partitions used to maintain the social distance, ensuring every piece of equipment are safe and ready to be used by the next customer.

## **C. Protecting intellectual property rights**

Each of our restaurants has its own dining concept, and we provide a great dining environment by merging the interior design and restaurant view together. Our Company respects the effort of every designer and artist, therefore we comply with relevant laws and regulations to observe and protect intellectual property rights.

We are currently operating restaurants under five self-owned brands and three franchises or sub-licensed brands. We took measures to protect all trademarks and other intellectual property rights by making the necessary filling and registration. Apart from that, recipes are significant assets of our Group. Strict regulations in the kitchen and effective management to prevent disclosure of the recipes are in place. Any requests or enquiries from outside news organisations, magazines, competitors and other members of the public regarding our restaurants, their plans, sales procedures, team members or other matters should be referred immediately to the director of marketing communication.

# Environmental, Social and Governance Report

## D. Our care to customers

A successful corporation would not fail to cater customers' need. We value all sorts of opinion from the customers and are always motivated to interact with them. Our frontline employees are well-trained to be detail-minded and take the initiative to accommodate customers' need. It would help to build a warm and comfortable atmosphere among the restaurants and retain our precious customers through direct interactions with customers.

All frontline employees are required to have a thorough understanding in all food and beverages items on our menus. Related training such as menu tasting, wine tasting, negotiation and service techniques will be provided to ensure that our team is able to deliver excellent and consistent service to the customers.

Apart from direct communications with frontline employees and managers, we also provide various communication channels for complaints and compliments. Our customer relations team will then respond to the enquiries in a timely and positive manner. This year, we received 31 complaints. When dealing with complaints, we followed a series of standards and procedures to uphold our appropriate manners. We set the principles for handling guests' opinions called "LEADER". "LEADER" stands for "Listen", "Empathise", "Apologise", "Do offer 2 solutions and ask guest which one he/she prefers", "Explain what you will do and go do it", and "Re-check and follow up on guest satisfaction". Based on the above principles, detailed and comprehensive training was provided for our employees. Furthermore, according to our regulations, all complaints must be reported to the managerial level within 24 hours. These rules help to maintain our high standard of services and accessible channel for suggestions and complaints.

We provide training for our employees on how to handle complaints. Our employees joined The Quality Tourism Services Association's workshop titled "Master Your Skills and Turn Complaints into Compliments", which focused on proper handling of complaints to turn a crisis into an opportunity and build a good reputation in 2022.

No products sold subject to recalls for safety and health reasons was identified in 2022.

## E. Data protection and privacy policies

The Group places great emphasis on the data protection and privacy security of our customers. The Group strictly follows the guidance of the employee handbook and restricts any unauthorised usage of personal data. We have a "1957 & Co. Loyalty Program" (the "**Program**") for our frequent guests to earn and redeem points across our restaurants and enjoy exclusive privileges. We understand the importance of our customers' concerns about personal data collection, hence, we have fully instructed our employees that they must only collect and use personal data in accordance with applicable data protection laws, as well as the Group's policy on Personal Data Governance and local policies of the Telecommunications division.

All our personal data collection complies strictly with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), including that for the operation and management of the Program, and are collected solely for activities related to the Program.

# Environmental, Social and Governance Report

## 6. POLICY AND MEASURES ON ANTI-CORRUPTION

Our Group believes that loyalty, integrity, and fairness are core assets to our business. Therefore, all employee of the Group, from the top management to our frontline employees, must strive to ensure that the reputation of the Group is not damaged by dishonesty, disloyalty or corruption. We maintained zero tolerance to corruption and fraud. We have implemented a strict internal control policy and regulation towards bribery or dishonesty, and are stated in the Code of Business Conduct (the “**Code**”). The content of the Code is applicable to all employees, including permanent and part-time workers. Well-structured processes on purchases, sales, operation and finance are mentioned for employees to follow to avoid the occurrence of any potential corruption issues.

Our Company’s whistleblowing policy is available on our website. We encourage our employees who are concerned about any suspected misconduct or malpractice within the Group to voice out verbally or in written standard whistleblowing report form, and the Group will acknowledge receipt of the report within five working days. A designated senior officer — Company Secretary or Compliance Officer, will be appointed to manage the report. An investigation will be conducted in accordance with the investigation procedures that were set out. We will also review the relevant policy on a periodic basis so that it is up-to-date and comply with any legal requirement or best practices, as the case may be. We have no tolerance towards any corruption incidents. There was no concluded legal cases regarding corruption brought against the Group or our employees during the year.

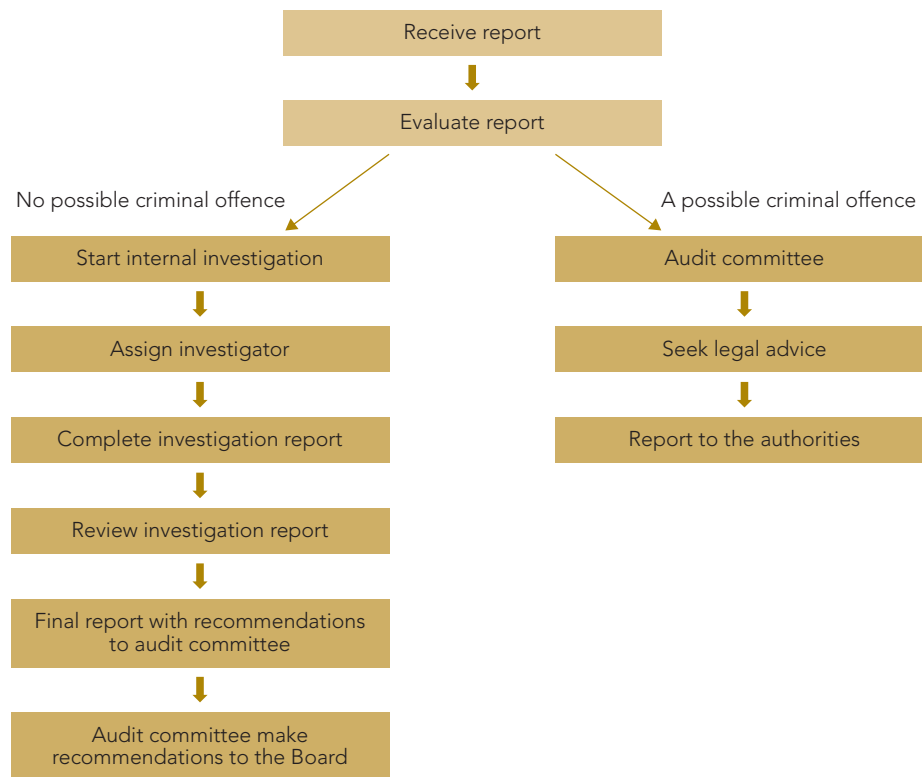


Figure 2 — The anti-corruption policy of our Group



# Environmental, Social and Governance Report

## 7. OUR COMMITMENT TO OUR PEOPLE

### A. Introduction

Employees are of vital importance to us and we pay attention to the protection of employees' interests and rights. We strictly comply with all relevant laws, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) and Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong). We believe a safe, healthy and fair working environment would encourage productivity and incentive and hence is beneficial to the Group's growth.

Every employee is engaged with an employment contract through our human resources department. The employee handbook is delivered to every employee. The standard employment policy coverage ranges from recruitment to termination as well as policies regarding employee safety, prevention of food poisoning, food contamination handling and employee or guest injury treatment are contained in the employee handbook. Each employee could refer to the employee handbook under different situations at work promptly as the policies are based on scientifically proven and time-tested results.

### B. Labour standards and equal opportunity

Our Group as an equal opportunity employer, welcome all talents and enthusiastic candidates to join our family regardless of their backgrounds, ages, genders and nationalities. Inclusiveness, fairness and integrity are always embedded in our recruitment policy. Discrimination and harassment are strictly prohibited in our Group. Any verbal, visual and physical conduct of discrimination or harassment will subject the employees to disciplinary action, up to and including dismissal. The fair and equal concepts are also integrated into our promotion ladder. We provide equal opportunities for our employees who are looking for a chance to make a career in one of the best award-winning restaurants in town. We believe in promoting internally and rewarding performance excellence. Employees with satisfactory professionalism and passionate to serve our customers have a chance to be promoted.

The employee handbook clearly states the general rules on compensation, dismissal, recruitment, promotion, working hours, annual leave, anti-discrimination, employment certificates, etc. We provide sick leave, annual leave, maternity leave, paternity leave, birthday leave, marriage leave and funeral leave to our employees. All full-time employees have participated in the Mandatory Provident Fund ("MPF") scheme after completion of 60 days of continuous employment.

Our Group does not tolerate any forced or child labour in support of human rights and labour standards. We strictly comply with the statutory requirement of the Employee's Compensation Ordinance (Cap. 282 of the Laws of Hong Kong). All related job duties, including the number of working hours, over-time working arrangement and employee welfare and allowance are clearly stated in the employment contract. During the recruitment process, the human resources department is responsible for ensuring the candidate has reached the legal working age by inspecting the candidate's Hong Kong identity card or valid travel document. If any child or forced labour is discovered, employees can report to us through phone, mail and email. The reported case will be followed up with an immediate investigation. During the reporting period, there is no related violation cases discovered.

# Environmental, Social and Governance Report

## C. Occupational health and safety

We care about both physical and mental health of our employees. We apply “team building and career development” management philosophy to our employees. Our Company makes every effort to provide a healthy, efficient and safe working environment. Emergency plans and drills, employee safety training and appraisals, on-site inspection and safety forums are conducted on a regular basis to ensure safe operation. The Group makes every effort to provide and maintain the optimal working environment for our employees. Related practices that we have adopted are as below:

- Take the employee circulation and latitude into consideration when designing the restaurants;
- First Aid Box is provided to all employees in case of medical emergency and placed at every restaurant, whenever work injury occurred on the premises, first aid should be given to the injured person by a certified first aider and should be escorted to the nearest hospital or clinic for immediate medical treatment;
- The department head should submit a comprehensive “Workplace Incident & Accident Report” form to the human resources department within 24 hours of the incident;
- An investigation will be conducted and corresponding suggestions will be given to prevent reoccurrence of similar accident;
- Safety supervisor in every outlet conducts safety checks regularly, three main aspects on the checklist include employee behaviour, kitchen environment and cleanliness; and
- Supervisors are encouraged to make suggestions or opinions for improvement.

In dealing with COVID-19, we have implemented the below practices:

- Provision of mask allowance to all employees;
- Supporting and registering for the FEHD’s free COVID-19 tests for frontline; and
- All the employees of our restaurants were required to conduct a daily Rapid Antigen Test (RAT) before they report to duty, only employees with negative test results can work on the premises.

During the reporting period, there were no reported cases of work-related fatalities (2020 and 2021: same), although there were 113 days lost to work-related injuries (2021: 16 days, 2020: 26 days). All employees who were hurt were given their insurance claims and paid sick time. We consider putting more attention on how to reduce the occurrence of work-related injuries by measures such as emphasising occupational safety during the employee orientation.

# Environmental, Social and Governance Report

## Team building activity

We also established policies to take care of our employees' mental health, enforce team spirit and encourage more effective communication. We encourage free communication and maintain high morale among team members and management so that issues and opinions can be raised freely. We hope every employee could work in an environment with their health and safety protected with enjoyable working atmosphere.



Figure 3 — Grand opening ceremony of Akanoshou Restaurant



Figure 4 — Birthday lunch celebration with our Chief Executive Officer

# Environmental, Social and Governance Report

## D. Employees data

As of 31 December 2022, there were a total of 467 employees, of which 464 were based in Hong Kong and 3 in Mainland China. Male employees are 53% while female employees are 47%. During the reporting period, the overall employee turnover rate was 52.2%, compared to 86.8% in 2021. The turnover rates for male and female employees were 58.2% and 41.8% respectively, while in the year 2021, the numbers were 60.2% and 61.2% respectively.

Other details related to the employees data are illustrated in the below tables.

Office staff	Current Employees	Departed Employees	Turnover Rate
Total number of employees	38	11	29%
<b>By Gender</b>			
Male	11	6	55%
Female	27	5	19%
<b>By Age</b>			
Aged below 35	14	2	14%
Aged 36–55	14	9	64%
Aged above 56	10	0	0%
<b>By Level</b>			
General staff	18	7	39%
Managerial staff	20	4	20%
<b>By type</b>			
Full-time	38	9	24%
Part-time	0	2	100%
<b>By Geography</b>			
Hong Kong	35	11	31%
Mainland China	3	0	0%

# Environmental, Social and Governance Report

Restaurant staff	Current Employees	Departed employees	Turnover Rate
Total number of employees	429	233	54%
<b>By Gender</b>			
Male	235	136	58%
Female	194	97	50%
<b>By Age</b>			
Aged below 35	137	91	66%
Aged 36–55	233	110	47%
Aged above 56	59	32	54%
<b>By Level</b>			
General staff	341	198	58%
Managerial staff	88	35	40%
<b>By type</b>			
Full-time	345	233	68%
Part-time	84	0	0%
<b>By Geography</b>			
Hong Kong	429	233	54%
Mainland China	0	0	0%

To maintain an abundant workforce, we actively attended recruitment activities to recruit new employees.



Figure 5 — 2022 JobsDB recruitment day



# Environmental, Social and Governance Report

## E. Employees development and training

Catering is an industry that provides both services and products to our guests, and the quality of both depends on the quality of our employees. We believe that we cannot grow unless the quality of our employees grows. We provide training for all levels of employees, including both knowledge and skill-based training workshops, on areas such as anti-corruption, food safety and industry insights. The training help employees gain new knowledge and skills, which in turn foster the growth of the Company.

The below table shows the various themes of training held during the reporting period.

Training Date	Training theme	Target employee	Training content
Day one of work	New Joiner Orientation	New joiners	<ul style="list-style-type: none"> <li>Group's organisation chart and the Group's concept</li> <li>Outlets specific rules and regulations, equipment orientation</li> </ul>
January 2022	Self & Team Motivation Workshop	Customer service team and frontline employees	<ul style="list-style-type: none"> <li>How to lead the service team to maintain a positive mindset and provide customers with a quality shopping and dining experience is one of the keys to success when facing the pandemic and market challenges</li> </ul>
February 2022	How to manage new generations	Managers and senior management	<ul style="list-style-type: none"> <li>Adopt appropriate communication approach to manage the new generation through understanding their background, characteristics and values</li> </ul>
August 2022	Complaints Handling Strategy	Customer service team and frontline employees	<ul style="list-style-type: none"> <li>How to face and resolve customer complaints</li> </ul>
September 2022	Human Resources Policy Introduction and Updates	Human resources department employees	<ul style="list-style-type: none"> <li>How to retain employees and motivate team</li> <li>Updates of The Employment (Amendment) Ordinance 2022</li> </ul>
On regular basis	Mystery Shopper Scheme	All restaurant employees	<ul style="list-style-type: none"> <li>A scheme as a regular evaluation on services, including dining environment, serving dishes, etc.</li> </ul>



# Environmental, Social and Governance Report

## F. Number of trained employees and hours of training received by our employees

Employee' growth and development are essential in helping the Group's journey as it translates into an efficient and smooth operation. We support and encourage employees to climb up the career ladder. To ensure the quality and knowledge enhancement for our employees, all employees are encouraged to participate in training that suit their needs, regardless of age, gender and employment level. During the reporting period, all new joiners were provided with orientation, which included training according to their roles. Overall, 67.9% of the total employee were trained, the overall percentages for male and female employees who received training were 74.8% and 60.2% respectively. The average training hours per employee was approximately 1.3 hours and the average training hours per male and female employees was approximately 1.2 hours and 1.3 hours respectively. Other relevant breakdowns are shown below.

Office staff	Number of trained employees	Percentage of trained employees	Total hour trained	Average training hour completed per employee
<b>Total</b>	24	63%	86.0	2.3
<b>By gender</b>				
Male	7	29%	11.0	1.0
Female	17	71%	75.0	2.8
<b>By level</b>				
General staff	13	54%	57.5	3.2
Managerial staff	11	46%	28.5	1.4

Restaurant staff	Number of trained employees	Percentage of trained employees	Total hour trained	Average training hour completed per employee
<b>Total</b>	293	68%	510.0	1.2
<b>By gender</b>				
Male	177	60%	294.0	1.3
Female	116	40%	216.0	1.1
<b>By level</b>				
General staff	241	82%	385	1.1
Managerial staff	52	18%	125	1.4

# Environmental, Social and Governance Report

## 8. OUR CONNECTION WITH THE LOCAL COMMUNITY

### A. Donation, venue and media support

During the reporting period, our Group made monetary donations and raised funds for charities through events and campaigns. We continued to use our local footprint to offer welcoming venue and media support to charities, helping them to promote public awareness of issues ranging from environmental conservation, food waste, mental health, animal welfare and protection, children with special needs and disabilities, youth programmes, underprivileged families and poverty alleviation.

In May 2022, as COVID-19 prevailed, we realised that some people have difficulties in supporting for their living. In light of that, we held an activity ‘White Mask Donation to Underprivileged People’ with House of Learning to donate boxes of masks to underprivileged people to protect themselves against the pandemic.



Figure 6 & 7 — White mask donation to our community

In September 2022, in collaboration with ESSERE (Hong Kong) Limited, we donated 120 boxes of mooncake to elderly living alone and celebrated the mid-autumn festival with them.



Figure 8 & 9 — Love and support to elderly at mid-autumn festival

# Environmental, Social and Governance Report

In December 2022, we donated \$18,000 to sponsor the Business Lady Association's "SEN u LOVE" charity music event. In Hong Kong, approximately 10% of students have special education needs ("SEN"). The event not only aimed to celebrate Christmas with the SEN students, but also attracted more people's attention to the needs of SEN students. The fund raised went to Tak Ngai Family Foundation to develop training programs for SEN students.



Figure 10 & 11 — SEN u LOVE charity music events

## B. Education

This year, we continued to support Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) (the "HKMU") to organise a dinner for their students who are studying food appreciation, styling and photography at our Italian restaurant Paper Moon. During the dinner, they had the opportunity to practice their meal set photo shooting skills.



Figure 12 & 13 — Sharing session with HKMU students at Paper Moon (Ocean Terminal)

## C. Special discounts during COVID-19

In June 2022, we participated in Hong Kong Tourism Board's "Feasts 'n Treats" dining to offer half-price food & beverage cash vouchers. All of our restaurants participated in this dining offer. We also continue to provide special discounts to those working in the medical and healthcare industry. By offering these discounts, we hope to bring positive energy to society.

# Environmental, Social and Governance Report

## 9. AWARDS AND RECOGNITION

We are pleased to share the most honourable awards that we received in 2022 regarding the below scope:

### Recognition on employees development

We fulfilled Mandatory Provident Fund Scheme requirement that all full-time employees have participated in the scheme. We were honoured as a “Good MPF Employer” by the Mandatory Provident Fund Schemes Authority.



Figure 14 — Good MPF Employer Award 2021–2022

### Recognition on food quality and services



Figure 15 — Our Group was authorised to use the certification mark under the Quality Tourism Services Scheme

All restaurants are authorised to use the certification mark under the Quality Tourism Services Scheme by Hong Kong Tourism Board. This recognises us as meeting the high standards of product quality and service under the scheme.



# Environmental, Social and Governance Report

## 10. LAWS AND POLICIES

Table 7 — Laws and Policies

ESG subject area	Related laws and regulations which we have been in compliance with in the reporting period, including but not limited to:
Environment	<ul style="list-style-type: none"> <li>• The Environmental Protection Law of the People's Republic of China</li> <li>• Law of the People's Republic of China on Environmental Impact Assessment</li> <li>• Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution</li> <li>• Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution</li> <li>• Law of the People's Republic of China on Prevention and Control of Water Pollution</li> <li>• Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes</li> <li>• Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong)</li> <li>• Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong)</li> <li>• Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong)</li> <li>• Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong)</li> </ul>
Employment	<ul style="list-style-type: none"> <li>• Labour Law of the People's Republic of China</li> <li>• Labour Contract Law of the People's Republic of China</li> <li>• Employment Promotion Law of the People's Republic of China</li> <li>• Employment Ordinance (Cap. 57 of the Laws of Hong Kong)</li> <li>• Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong)</li> <li>• Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong)</li> <li>• Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong)</li> <li>• Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong)</li> <li>• Employee' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong)</li> <li>• Mandatory Provident Fund Scheme Ordinance (Cap. 485 of the Laws of Hong Kong)</li> </ul>

# Environmental, Social and Governance Report

ESG subject area	Related laws and regulations which we have been in compliance with in the reporting period, including but not limited to:
Product liability	<ul style="list-style-type: none"> <li>• Product Quality Law of the People's Republic of China</li> <li>• Construction Law of the People's Republic of China</li> <li>• Anti-Unfair Competition Law of the People's Republic of China</li> <li>• Law of the People's Republic of China on the Protection of Consumer Rights and Interests</li> <li>• Trademark Law of the People's Republic of China</li> <li>• Advertising Law of the People's Republic of China</li> <li>• Food Safety Ordinance (Cap. 612 of the Laws of Hong Kong)</li> <li>• Public Health and Municipal Service Ordinance (Cap. 132 of the Laws of Hong Kong)</li> <li>• Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong)</li> <li>• Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong)</li> <li>• Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong)</li> </ul>
Anti-corruption	<ul style="list-style-type: none"> <li>• Anti-Money Laundering Law of the People's Republic of China</li> <li>• Criminal Law of the People's Republic of China</li> <li>• Anti-Unfair Competition Law of the People's Republic of China</li> <li>• Bidding Law of the People's Republic of China</li> <li>• Regulation on the Implementation of the Bidding Law of the People's Republic of China</li> <li>• Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong)</li> <li>• Sale of Goods Ordinance (Cap. 26 of the Laws of Hong Kong)</li> <li>• Supply of Services (Implied Terms) Ordinance (Cap. 457 of the Laws of Hong Kong)</li> </ul>



# Environmental, Social and Governance Report

## 11. REPORT DISCLOSURE INDEX

KPIs	Description	Relevant Section in the Report
<b>A: Environmental</b>		
<b>A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.  Note: Air emissions include NO <sub>x</sub> , SO <sub>x</sub> , and other pollutants regulated under national laws and regulations.  Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	4. Our Commitment to the Environment
KPI A1.1	The types of emissions and respective emissions data.	4G. Energy consumption and emission data
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). — Scope 1 emissions — Scope 2 emissions	4G. Energy consumption and emission data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4G. Energy consumption and emission data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4D. Active waste recycling to minimise disposal
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	4D. Active waste recycling to minimise disposal
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4G. Energy consumption and emission data

# Environmental, Social and Governance Report

KPIs	Description	Relevant Section in the Report
<b>A2: Use of Resources</b>		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	4. Our commitment to the environment
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4G. Energy consumption and emission data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4G. Energy consumption and emission data
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4. Our commitment to the environment
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4. Our commitment to the environment
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4G. Energy consumption and emission data
<b>A3: The Environment and Natural Resources</b>		
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	4. Our commitment to the environment
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4. Our commitment to the environment
<b>A4: Climate Change</b>		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	4F. Acts to manage climate change risks

# Environmental, Social and Governance Report

KPIs	Description	Relevant Section in the Report
<b>B: Social</b>		
<b>Employment and Labour Practices</b>		
General disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employee from occupational hazards.</li> </ul>	7. Our commitment to our people
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	7D. Employees data
KPI B1.2	Employees turnover rate by gender, age group and geographical region.	7D. Employees data
<b>B2: Health and Safety</b>		
General disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</li> </ul>	7C. Occupational health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	7C. Occupational health and safety
KPI B2.2	Lost days due to work injury.	7C. Occupational health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	7C. Occupational health and safety
<b>B3: Development and Training</b>		
General disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) description of training activities.</li> </ul> Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	7E. Employees development and training
KPI B3.1	The percentage of employees trained by gender and employees category.	7F. Number of trained employees and hours of training received by our employees
KPI B3.2	The average training hours completed per employee by gender and employees category.	7F. Number of trained employees and hours of training received by our employees

# Environmental, Social and Governance Report

KPIs	Description	Relevant Section in the Report
<i>B4: Labour Standards</i>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	7B. Labour standards and equal opportunity
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	7B. Labour standards and equal opportunity
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	7B. Labour standards and equal opportunity
<b>Operating Practices</b>		
<i>B5: Supply Chain Management</i>		
General disclosure	Policies on managing environmental and social risks of the supply chain.	
KPI B5.1	Number of suppliers by geographical region.	5A. Procurement policy
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5A. Procurement policy
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5A. Procurement policy
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5A. Procurement policy
<i>B6: Product Responsibility</i>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5. Our Commitment to Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5. Our Commitment to Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5. Our Commitment to Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5C. Protecting intellectual property rights
KPI B6.4	Description of quality assurance process and recall procedures.	5. Our Commitment to Quality
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5E. Data protection and privacy policies

# Environmental, Social and Governance Report

KPIs	Description	Relevant Section in the Report
<i>B7: Anti-corruption</i>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6. Policy and Measures on Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employee during the reporting period and the outcomes of the cases.	6. Policy and Measures on Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6. Policy and Measures on Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and employee.	6. Policy and Measures on Anti-corruption
<b>Community</b>		
<i>B8: Community Investment</i>		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Our Connection with the Local Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8. Our Connection with the Local Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	8. Our Connection with the Local Community

# Independent Auditor's Report



羅兵咸永道

**To the Shareholders of 1957 & Co. (Hospitality) Limited**  
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of 1957 & Co. (Hospitality) Limited (the "Company") and its subsidiaries (collectively, the "Group"), which are set out on pages 99 to 164, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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# Independent Auditor's Report

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is the assessment of impairment of property, plant and equipment:

Key Audit Matter	How our audit addressed the Key Audit Matter
<b><i>Assessment of impairment of property, plant and equipment</i></b>	
<p>Refer to notes 4(i) and 13 to the consolidated financial statements.</p> <p>The Group has a portfolio of leased properties used as outlets for its restaurants. Majority of the outlets are with lease terms ranging from two to six years. Management periodically assesses whether there is any indication that the property, plant and equipment (the "PPE") may be impaired and estimates the recoverable amount of the PPE if any such indication exists.</p> <p>Management considers each individual restaurant as a cash generating unit (CGU) and reviews the performance of individual restaurants at the end of each reporting period to identify if any restaurant meets certain negative performance criteria which could indicate impairment. Such impairment indicators include:</p> <ul style="list-style-type: none"><li>• Operating losses incurred by restaurants during the financial year except for new restaurant in its first year of operation;</li><li>• Plans to close a restaurant;</li></ul>	<p>Our procedures for assessing the impairment of property, plant and equipment included:</p> <ul style="list-style-type: none"><li>• Discussing with management the approach used to identify indications of impairment for the Group's CGUs;</li><li>• Evaluating management's identification of impairment indicators by considering the appropriateness of the negative performance criteria defined and checking if all the restaurants with negative performance criteria were properly identified;</li><li>• Evaluating management's identification of reversal of impairment indicators by considering the appropriateness of the positive performance criteria defined and checking if all the impairment loss previously provided may no longer exist or have decreased; and</li><li>• Understanding, evaluating, and testing, on a sample basis, the key internal control over the Group's impairment assessment process;</li></ul>

# Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<ul style="list-style-type: none"> <li>Economic performance is worse than expected; or</li> <li>Other external factors.</li> </ul> <p>Management also assesses whether there is any indication that an impairment loss recognised in prior periods on PPE may no longer exist or may have decreased. Such indicators include:</p> <ul style="list-style-type: none"> <li>Significant changes with a favourable effect have taken place; or</li> <li>Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, better than expected.</li> </ul> <p>For a CGU where there is any indication of impairment or reversal of impairment, management estimates the recoverable amount of the PPE using higher of fair value less costs of disposal and value in use method and determines if provision or reversal of provision is required by comparing the carrying amount of the PPE with its recoverable amount.</p> <p>The recoverable amounts of the assets of each of CGU was determined by value in use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining lease term of each of CGU, which were higher than the respective fair value less costs of disposal.</p> <p>An impairment loss recognised in prior periods for PPE shall be reversed if, and only if, there has been a change in the estimates used to determine the PPE's recoverable amount since the last impairment loss was recognised.</p> <p>Based on the assessment, management has concluded that an impairment loss HK\$179,000 is necessary to adjust the carrying amounts of PPE as at 31 December 2022, respectively.</p> <p>We focused on this area because the balance of PPE is material to the consolidated financial statements and significant management judgement was used in assessing the impairment of PPE.</p>	<p>For CGUs where there were indicators of impairment or reversal of impairment, we performed procedures on value in use calculations to assess the key inputs to their respective discounted cash flows forecast (the "DCF") used in determining the recoverable amount of the PPE, including:</p> <ul style="list-style-type: none"> <li>Comparing the actual results of the CGU with the CGU's historical DCF to assess the accuracy of management's forecasting process;</li> <li>Assessing reasonableness and challenging management assumption included the projected revenue growth rate and operating margin of the relevant restaurant used in the DCF with reference to management's development plans and past results of operations of the CGU;</li> <li>Assessing the discount rate used in the DCF by comparing to relevant external source of market data; and</li> <li>Testing mathematical accuracy of the DCF.</li> </ul> <p>We have further evaluated management's assessment on fair value less costs of disposals based on relevant valuation technique, making reference to recent market comparatives.</p> <p>Based on the results of our work, we found that the significant judgements and assumptions used by management in the assessment were supportable by available evidence.</p>

# Independent Auditor's Report

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kong Ling Yin, Raymond.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22 March 2023

# Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	6	352,877	394,185
Other gains and income, net	7	18,758	6,184
Cost of inventories sold		(102,046)	(115,486)
Employee benefit expenses	10	(133,333)	(126,465)
Depreciation and amortisation		(60,986)	(64,686)
Royalty fees		(3,686)	(5,981)
Rental expenses	13(b)	(5,103)	(7,954)
Utilities		(10,551)	(8,685)
Impairment loss on trade receivables	3.1(ii)	(234)	–
Impairment loss on property, plant and equipment	13(a)	(179)	(10,500)
Reversal of impairment loss on property, plant and equipment	13(a)	–	4,100
Other operating expenses	9	(45,286)	(38,137)
<b>Operating profit</b>		<b>10,231</b>	26,575
Finance income		185	3
Finance costs		(4,555)	(2,932)
Finance costs, net	8	(4,370)	(2,929)
Share of losses of associates	16	(1,544)	(909)
<b>Profit before income tax</b>		<b>4,317</b>	22,737
Income tax expense	11	(1,002)	(3,816)
<b>Profit for the year</b>		<b>3,315</b>	18,921
<b>(Loss)/profit for the year attributable to:</b>			
— Owners of the company		(533)	13,165
— Non-controlling interests		3,848	5,756
		<b>3,315</b>	18,921
<b>(Losses)/earnings per share attributable to owners of the Company for the year (HK cents)</b>			
— Basic and diluted	12	(0.14)	3.43

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year</b>	<b>3,315</b>	18,921
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified to profit or loss</i>		
— Currency translation differences	<b>(278)</b>	83
— Share of other comprehensive income of associates accounted for using the equity method	<b>(123)</b>	79
<b>Total comprehensive income for the year</b>	<b>2,914</b>	19,083
<b>Total comprehensive (loss)/income for the year attributable to:</b>		
— Owners of the company	<b>(934)</b>	13,326
— Non-controlling interests	<b>3,848</b>	5,757
	<b>2,914</b>	19,083

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



# Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13(a)	93,333	70,468
Intangible assets	14	862	984
Other non-current deposit and prepayment	17	52,164	3,439
Interest in associates	16	438	2,105
Deferred tax assets	24	10,510	10,756
		<b>157,307</b>	87,752
<b>Current assets</b>			
Inventories	18	2,357	2,394
Trade receivables	17	8,621	6,614
Prepayments, deposits and other receivables	17	16,124	7,309
Amount due from an associate	28(b)	126	102
Tax recoverable		3,750	392
Pledged bank deposits	19	9,063	7,036
Cash and cash equivalents	19	54,175	94,381
		<b>94,216</b>	118,228
<b>Total assets</b>		<b>251,523</b>	205,980
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	20	38	38
Share premium	20	100,980	100,980
Capital reserve		(2,983)	(2,983)
Exchange reserve		(426)	(25)
Accumulated losses		(32,893)	(32,360)
		<b>64,716</b>	65,650
Non-controlling interest	15(a)	11,065	7,217
<b>Total equity</b>		<b>75,781</b>	72,867

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	13(b)	<b>31,226</b>	18,280
Provision for reinstatement costs	21	<b>2,116</b>	500
		<b>33,342</b>	18,780
<b>Current liabilities</b>			
Trade payables	21	<b>19,539</b>	21,406
Accruals and other payables	21	<b>39,480</b>	27,208
Lease liabilities	13(b)	<b>41,795</b>	49,053
Contract liabilities	22	<b>770</b>	1,196
Income tax payable		<b>46</b>	2,038
Loan from non-controlling shareholders	28(b)	<b>7,600</b>	7,600
Bank borrowings	23	<b>33,170</b>	5,832
		<b>142,400</b>	114,333
<b>Total liabilities</b>		<b>175,742</b>	133,113
<b>Total equity and liabilities</b>		<b>251,523</b>	205,980

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 99 to 164 were approved by the Board of Directors on 22 March 2023 and were signed on its behalf.

**Kwok Chi Po**  
Director

**Wong Chi Wing Kinson**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to the owners of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total		
	(Note 20) HK\$'000	(Note 20) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2021</b>	38	100,980	(2,983)	(186)	(45,525)	52,324	4,050	56,374
<b>Comprehensive income</b>								
Profit for the year	–	–	–	–	13,165	13,165	5,756	18,921
<b>Other comprehensive income</b>								
Currency translation differences	–	–	–	83	–	83	–	83
Share of other comprehensive income of associates accounted for using the equity method	–	–	–	78	–	78	1	79
<b>Total comprehensive loss</b>	–	–	–	161	13,165	13,326	5,757	19,083
<b>Transactions with owners</b>								
Repayment of shareholders loan	–	–	–	–	–	–	(1,470)	(1,470)
Dividends paid	–	–	–	–	–	–	(1,120)	(1,120)
<b>Total transactions with owners</b>	–	–	–	–	–	–	(2,590)	(2,590)
<b>Balance at 31 December 2021</b>	38	100,980	(2,983)	(25)	(32,360)	65,650	7,217	72,867

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to the owners of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total		
	(Note 20) HK\$'000	(Note 20) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2022</b>	<b>38</b>	<b>100,980</b>	<b>(2,983)</b>	<b>(25)</b>	<b>(32,360)</b>	<b>65,650</b>	<b>7,217</b>	<b>72,867</b>
<b>Comprehensive income</b>								
(Loss)/profit for the year	-	-	-	-	(533)	(533)	3,848	3,315
<b>Other comprehensive loss</b>								
Currency translation differences	-	-	-	(278)	-	(278)	-	(278)
Share of other comprehensive loss of associates accounted for using the equity method	-	-	-	(123)	-	(123)	-	(123)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(401)</b>	<b>(533)</b>	<b>(934)</b>	<b>3,848</b>	<b>2,914</b>
<b>Balance at 31 December 2022</b>	<b>38</b>	<b>100,980</b>	<b>(2,983)</b>	<b>(426)</b>	<b>(32,893)</b>	<b>64,716</b>	<b>11,065</b>	<b>75,781</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	4,317	22,737
Adjustments for:		
— Depreciation and amortisation	60,986	64,686
— Loss on disposal of property, plant and equipment	—	22
— Impairment loss on property, plant and equipment	179	10,500
— Reversal of impairment loss on property, plant and equipment	—	(4,100)
— Impairment loss on trade receivables	234	—
— Share of losses of associates	1,544	909
— Finance income	(185)	(3)
— Finance expenses	4,555	2,932
<b>Operating cash flows before changes in working capital</b>	<b>71,630</b>	97,683
Changes in working capital:		
— Inventories	37	(40)
— Trade and other receivables	(22,088)	(5,500)
— Trade and other payables	(2,437)	13,048
— Contract liabilities	(426)	396
— Amount due from an associate	(24)	(24)
Cash generated from operations	46,692	105,563
Interest paid	(2,276)	(2,932)
Income tax (paid)/refund	(6,106)	349
<b>Net cash generated from operating activities</b>	<b>38,310</b>	102,980
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,602)	(2,697)
Payments for other non-current deposit and prepayment	(39,846)	—
Proceeds from disposal of property, plant and equipment	—	33
Interest received	59	3
<b>Net cash used in investing activities</b>	<b>(46,389)</b>	(2,661)

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	33,000	–
Repayment of bank borrowings	(5,662)	(5,614)
Payment of lease liabilities	(57,160)	(62,528)
Payment for pledged bank deposits	(2,027)	(1)
Repayment of shareholders loan	–	(1,470)
Dividends paid	–	(1,120)
<b>Net cash used in financing activities</b>	<b>(31,849)</b>	<b>(70,733)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(39,928)</b>	<b>29,586</b>
Cash and cash equivalents at 1 January	94,381	64,712
Effect of foreign exchange rate changes	(278)	83
Cash and cash equivalents at 31 December	54,175	94,381

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

The reconciliation of liabilities arising from financing activities is as follows:

	<b>Borrowings</b> HK\$'000	<b>Lease liabilities</b> HK\$'000	<b>Loan from non-controlling shareholders</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2021	11,446	108,687	7,600	127,733
Cash flows				
— Outflow from financing activities	(5,614)	(62,528)	—	(68,142)
— Outflow from operating activities	(269)	(2,663)	—	(2,932)
Non-cash changes				
— Finance cost	269	2,663	—	2,932
— Lease modification	—	(1,716)	—	(1,716)
— Addition to lease liabilities	—	22,890	—	22,890
At 31 December 2021	5,832	67,333	7,600	80,765
At 1 January 2022	<b>5,832</b>	<b>67,333</b>	<b>7,600</b>	<b>80,765</b>
Cash flows				
— Inflow/(outflow) from financing activities	<b>27,338</b>	<b>(57,160)</b>	—	<b>(29,822)</b>
— Outflow from operating activities	<b>(354)</b>	<b>(1,922)</b>	—	<b>(2,276)</b>
Non-cash changes				
— Finance cost	<b>354</b>	<b>1,922</b>	—	<b>2,276</b>
— Lease modification	—	<b>(4,948)</b>	—	<b>(4,948)</b>
— Addition to lease liabilities	—	<b>67,796</b>	—	<b>67,796</b>
At 31 December 2022	<b>33,170</b>	<b>73,021</b>	<b>7,600</b>	<b>113,791</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# 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

Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)
HKFRS 3, HKAS 16, and HKAS 37	Narrow-scope amendments (amendments)
AG 5 (Revised)	Revised Accounting Guideline 5 Merger
	Accounting for Common Control Combinations

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

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

#### (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 2022 or later periods, but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts	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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
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 2024
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.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

#### (v) Going concern

The Group had net current liabilities of HK\$48,184,000 as at 31 December 2022 (2021: net current assets HK\$3,895,000) of which HK\$41,795,000 (2021: HK\$49,053,000) were lease liabilities where the corresponding right-of-use assets were included in property, plant and equipment within non-current assets. In addition, bank borrowings amounting to HK\$26,688,000 (2021: HK\$864,000), which are contractually due for repayment after one year contain repayable on demand clause and are therefore classified as current liabilities in accordance with HK Interpretation 5, "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayable on Demand Clause".

Management considers that (i) the lease assets as stated above will be generating sufficient cash flows to cover the lease liabilities under normal circumstances, and (ii) it is highly unlikely that the relevant banks will exercise their discretion to demand immediate repayment and believes that such bank borrowings will be repaid in accordance with the scheduled dates set out in the relevant loan agreements, and that the current bank facilities will continue to be available for the next 12 months.

Setting aside the lease liabilities of HK\$41,795,000 (2021: HK\$49,053,000) and the bank borrowing due after one year but contain a repayable on demand clause of HK\$26,688,000 (2021: HK\$864,000), the Group's current assets exceeded its current liabilities by HK\$20,299,000 as at 31 December 2022 (2021: HK\$53,812,000). The directors of the Company have considered the Group's consolidated financial position to conclude that the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

##### (a) *Business combinations (Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Non-controlling interests

Non-controlling interests at the date of statement of financial position, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position separately from equity attributable to owners of the Company. The results of the Group are presented on the face of the consolidated income statement as an attribution of the Group's profit or loss for the year between non-controlling interests and owners of the Company.

### 2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit of investments accounted for using equity method in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Executive Directors, who make strategic decisions.

### 2.6 Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional currency and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the income statement within 'other operating expenses'.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Foreign currency translation (Continued)

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Leasehold improvements	Shorter of 5 years or remaining lease term
Furniture and fixture	5 years
Kitchen and operating equipment	3 to 5 years
Computer equipment	3 to 5 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in "Other gains and income, net" in the consolidated income statement.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Intangible assets

Separately acquired franchise and licences rights are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

### 2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.10 Financial assets

#### (i) Classification

The Group classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### (ii) Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (Continued)

#### (iv) Impairment

The Group has the following types of financial assets subject to HKFRS 9's expected credit loss model:

- Trade receivables
- Deposits and other receivables
- Pledged bank deposits
- Cash and cash equivalents
- Amount due from an associate

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime losses to be recognised from initial recognition of the receivables.

Impairment on financial assets other than trade receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition, then impairment is measured as lifetime expected credit losses.

### 2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined using the first-in first-out (FIFO) method. The cost of inventories comprises purchase costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.13 Trade and other receivables

Trade receivables are amounts due from customers for catering services or management and consultancy services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts, if applicable.

### 2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.18 Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred since no borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets.

### 2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Current and deferred income tax (Continued)

#### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of service rendered by employees up to the date of statement of financial position.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

#### (ii) Bonus entitlement

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

#### (iii) Pension obligation

The Group contributed to a mandatory provident fund scheme (the "MPF Scheme") which is a defined contribution plan and is available to all employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The MPF Scheme cost charged to profit or loss represents contributions payable by the Group to the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

#### (iv) Long service payments

In Hong Kong, employees who have completed a required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Hong Kong Employment Ordinance.

### 2.21 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Revenue recognition

#### (i) Revenue from operation of restaurants

The Group operates restaurants to provide catering services. Revenue from catering services is recognised in the consolidated income statement at the point of sale to customers or when a group entity has delivered products to the customer.

Payment of the transaction is due immediately when the catering services are provided to customers.

#### (ii) Revenue from catering management and consultancy services

The Group provides catering management and consultancy services to other restaurant operators. For catering management and consultancy services, revenue is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

#### (iii) Customer loyalty programme

The Group maintains a customer loyalty programme which grants customer loyalty award credits to members of the customer loyalty programme based on the relevant members' spending at the Group's restaurants. The award credits entitle the customers to discount on future spending.

Amounts received in the sales transaction that grants the customer loyalty award credits are allocated to the loyalty award credits earned by members of the Group's customer loyalty programme and other components of the sales transaction on a relative standalone selling price basis. The standalone selling price per credit is estimated on the basis of the discount granted when the credits are redeemed and on the basis of the likelihood of redemption, based on past experience. The value attributed to the customer loyalty award credits is deferred as a contract liability. Revenue from the award credits is recognised when the credits are redeemed or when they expire.

### 2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.24 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Earnings per share

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### (b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

### 2.26 Leases

The Group leases various properties to operate its restaurants. Property leases are typically made for fixed periods of one to four years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 Leases (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

Extension options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. All extension options held are exercisable only by the Group and not by the respective Lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

### 2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Further information on how the Group accounts for government grants is set out in Note 7 to the financial statements.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks factors: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. The management monitors and manages the financial risks through internal risk assessment which analyses exposures by degree and magnitude of risks.

#### (i) Market risk

##### (a) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi ("RMB") and United States Dollars ("US\$").

Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities.

The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure. The Group currently does not have a foreign currency hedging policy.

At 31 December 2022, if HK\$ had strengthened/weakened by 5% against the RMB with all other variables held constant, post-tax profit/(loss) for the year would have been approximately HK\$176,000 lower/higher (2021: HK\$136,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of bank deposits denominated in the RMB.

The foreign exchange exposure for the US\$ is considered minimal as HK\$ is pegged with the US\$.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (i) Market risk (Continued)

##### (b) Interest rate risk

The Group's interest rate risk arises from bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. As at 31 December 2022, the Group's borrowings at variable rate were denominated in HK\$ (2021: same).

At 31 December 2022, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis (2021: 50 basis) higher/lower with all other variables held constant, post-tax profit/(loss) for the year would have been HK\$138,000 lower/higher (2021: HK\$24,000 lower/higher), respectively, mainly as a result of higher/lower interest expense on floating rate borrowings. The interest rate exposes on cash is considered immaterial as the interest rate of cash is low.

#### (ii) Credit risk

##### (a) Risk management

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, cash and cash equivalents and pledged bank deposits (2021: same).

To manage the risk arising from cash and cash equivalents and pledged bank deposits, the Group only transacts with reputable banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions.

The Group has no significant concentration of credit risk with respect to trade receivables as the Group mainly sells to a large number of customers.

##### (b) Impairment of financial assets

The Group has the following financial assets that are subject to the expected credit loss model:

- trade receivables
- other financial assets carried at amortised cost

While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (ii) Credit risk (Continued)

##### (b) Impairment of financial assets (Continued)

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a prepayment plan with the Company, and a failure to make contractual payments.

Trade receivables of the Group represent amounts due from various financial institutions and amounts due from associates. Amount due from various institutions is as a result of credit cards payment arrangement. Taking into account the high credit rating of these counterparties, who also has no recent history of default and that the Group is not contractually exposed to the risk of default by the ultimate customer arising from these payment arrangements, management assessed the expected credit loss rate of these trade receivables is insignificant. Therefore, the credit loss allowance for these balances was not significant and no provision was recognised. For amounts due from associates, management assessed the expected credit loss rate of these trade receivables and has provided HK\$234,000 (2021: Nil) for the impairment loss.



# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (ii) Credit risk (Continued)

##### (b) Impairment of financial assets (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables, amounts due from related parties. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost. As at 31 December 2022 and 2021, there is no loss allowance in respect of individually assessed receivables. The provision for impairment is determined based on the 12-month expected credit losses, which is insignificant.

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables 2022 HK\$'000
Opening loss allowance at 1 January	–
Increase in loss allowance recognised in profit or loss	234
Closing loss allowance at 31 December	234

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (iii) Liquidity risk

The liquidity of the Group is adequately managed and monitored by maintaining sufficient cash balance to meet its financial commitments. The Group had net current liabilities of HK\$48,184,000 as at 31 December 2022. Setting aside the lease liabilities of HK\$41,795,000 and the bank borrowing due after one year but contain a repayable on demand clause of HK\$26,688,000, the Group's current assets exceeded its current liabilities by HK\$20,299,000 as at 31 December 2022. Accordingly, the directors are of the opinion that the Group does not have significant liquidity risk.

The contractual maturity for the Group's financial liabilities at the date of statement of financial position is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying amounts as the impact of discounting is not significant.

	Repayable on demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
<b>At 31 December 2022</b>						
Trade payables	–	19,539	–	–	19,539	19,539
Accruals and other payables	–	32,851	–	–	32,851	32,851
Lease liabilities	–	43,615	20,611	11,830	76,056	73,021
Loan from non-controlling shareholders (Note 28(b))	–	7,600	–	–	7,600	7,600
Bank borrowings	33,170	–	–	–	33,170	33,170
	<b>33,170</b>	<b>103,605</b>	<b>20,611</b>	<b>11,830</b>	<b>169,216</b>	<b>166,181</b>
<b>At 31 December 2021</b>						
Trade payables	–	21,406	–	–	21,406	21,406
Accruals and other payables	–	21,894	–	–	21,894	21,894
Lease liabilities	–	50,380	16,871	1,621	68,872	67,333
Loan from non-controlling shareholders (Note 28(b))	–	7,600	–	–	7,600	7,600
Bank borrowings	5,832	–	–	–	5,832	5,832
	<b>5,832</b>	<b>101,280</b>	<b>16,871</b>	<b>1,621</b>	<b>125,604</b>	<b>124,065</b>

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (iii) Liquidity risk (Continued)

The table below summarises the maturity analysis of the Group's bank borrowings, subject to the lenders' rights to demand immediate repayment, based on agreed scheduled repayments set out in the relevant agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the tables above. Taking into account the Group's financial position, the directors do not consider that it is probable that the relevant banks will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant agreements.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash outflow HK\$'000
<b>At 31 December 2022</b>					
Bank borrowings	7,959	7,074	20,264	2,041	37,338
<b>At 31 December 2021</b>					
Bank borrowings	5,064	869	–	–	5,933

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner to procure adequate financial resumes from the owner. The Group's overall strategy remains consistent during the years ended 31 December 2021 and 2022.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner or issue new shares.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital risk management (Continued)

The capital structure of the Group consists of shareholders' equity and total borrowings. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statements of financial position and excluding lease liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statements of financial position plus net debt.

The gearing ratios as at 31 December 2021 and 2022 are as follows:

	2022 HK\$'000	2021 HK\$'000
Total borrowings	40,770	13,432
Less: cash and cash equivalents	(54,175)	(94,381)
Net cash	(13,405)	(80,949)
Total equity	75,781	72,867
Gearing ratio	N/A	N/A

As at 31 December 2022, the Group had a net cash position and its cash and cash equivalents exceeded the total balance of borrowings by HK\$13,405,000 (2021: HK\$80,949,000) respectively. Accordingly, the analysis on the Group's gearing ratio is not presented in the consolidated financial statements.

### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities (including cash and cash equivalents, pledged bank deposits, trade and other receivables, amounts due from related parties, lease liabilities, contract liabilities, loan from non-controlling shareholders, bank borrowings and trade and other payables) approximate their fair values due to their short maturities.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

### (i) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may be not recoverable. These impairment indicators included (i) operating losses incurred by restaurants during the financial year, except for new restaurant in its first year of operation; (ii) plans to close a restaurant; (iii) economic performance is worse than expected; or (iv) other external factors. An impairment loss may be recognised if the assets' carrying amounts exceed their recoverable amounts. The recoverable amounts have been determined based on higher of fair value less costs to sell or value-in-use valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are estimated using appropriate revenue growth rate, operating margin, and discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of its operations.

### (ii) Customer loyalty award credits

The amount of revenue attributable to the customer loyalty award credits earned by the members of the Group's customer loyalty programmes is estimated based on the fair value of the credits awarded and the expected redemption rate. The fair value of the credits awarded is estimated by reference to revenue. The expected redemption rate was estimated based on historical experience and anticipated redemption pattern.

### (iii) Income taxes

The Group recognises deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group consider future taxable income and ongoing prudent and appropriate tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of tax loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

## 5 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.

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

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 2022

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Total HK\$'000
Total segment revenue	351,026	22,641	373,667
Inter-segment revenue	–	(20,790)	(20,790)
<b>Revenue from external customers</b>	<b>351,026</b>	<b>1,851</b>	<b>352,877</b>
<b>Result</b>			
Segment profit	12,443	1,476	13,919
Other gains and income, net			18,758
Unallocated staff costs			(20,309)
Unallocated depreciation and amortisation			(2,905)
Unallocated utilities and consumables			(32)
Unallocated other expenses			(3,570)
Share of losses of associates			(1,544)
Profit before income tax			4,317
<b>Other segment items</b>			
Depreciation and amortisation	(58,081)	–	(58,081)
Impairment loss on trade receivables	–	(234)	(234)
Impairment loss on property, plant and equipment	(179)	–	(179)
Finance income	177	8	185
Finance costs	(4,512)	(43)	4,555



# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

Year ended 31 December 2021

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Total HK\$'000
Total segment revenue	392,164	25,560	417,724
Inter-segment revenue	–	(23,539)	(23,539)
<b>Revenue from external customers</b>	<b>392,164</b>	<b>2,021</b>	<b>394,185</b>
<b>Result</b>			
Segment profit	40,925	1,375	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			22,737
<b>Other segment items</b>			
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)

# Notes to the Consolidated Financial Statements

## 5 SEGMENT INFORMATION (CONTINUED)

### 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 2022 (2021: same).

### Segment assets and liabilities

At 31 December 2022

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segments assets	293,906	67,197	3,678	(113,696)	251,085
Interest in associates	–	–	438	–	438
	293,906	67,197	4,116	(113,696)	251,523
Segment liabilities	231,758	54,728	2,952	(113,696)	175,742

At 31 December 2021

	Operation of restaurants HK\$'000	Catering management and consultancy services HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
Segments assets	226,943	59,670	12,855	(95,593)	203,875
Interest in associates	–	–	2,105	–	2,105
	226,943	59,670	14,960	(95,593)	205,980
Segment liabilities	179,668	43,412	5,626	(95,593)	133,113

### 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 2022 and 2021. Accordingly, no analysis by geographical segment is provided.

# Notes to the Consolidated Financial Statements

## 6 REVENUE

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

	2022 HK\$'000	2021 HK\$'000
Operation of restaurants, recognised at a point in time	351,026	392,164
Catering management and consultancy services, recognised overtime	1,851	2,021
	<b>352,877</b>	394,185

## 7 OTHER GAINS AND INCOME, NET

	2022 HK\$'000	2021 HK\$'000
Government grants	16,307	5,125
Sponsorship income	700	200
Event income	841	–
Loss on disposal of property, plant and equipment	–	(22)
Sundry income	910	881
	<b>18,758</b>	6,184

Employment Support Scheme of approximately HK\$9,438,000 (2021: None) and Catering Business (Social Distancing) Subsidy Scheme of approximately HK\$6,869,000 (2021: HK\$5,125,000) were recognised for the year ended 31 December 2022. There are no unfulfilled conditions or other contingencies attaching to these grants.

## 8 FINANCE COSTS, NET

	2022 HK\$'000	2021 HK\$'000
<b>Finance income</b>		
Interest income	59	3
Imputed interest income on deposit paid	126	–
	<b>185</b>	3
<b>Finance costs</b>		
Interest expenses on bank borrowings	(354)	(269)
Interest expenses on lease liabilities (Note 13(b))	(1,922)	(2,663)
Interests charge on discounts	(2,279)	–
	<b>(4,555)</b>	(2,932)
Finance costs, net	<b>(4,370)</b>	(2,929)

# Notes to the Consolidated Financial Statements

## 9 OTHER OPERATING EXPENSES

	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration		
— Audit services	1,110	1,020
— Non-audit services	366	500
Advertising and promotion	1,672	866
Cleaning and laundry expenses	12,537	11,715
Credit card charges	5,160	6,408
Commission	3,231	2,148
Decoration, repairs and maintenance	4,802	2,292
Legal and professional fees	6,129	2,699
Entertainment	785	1,271
Telecommunication charges	224	246
Storage expenses	256	249
Motor vehicle expenses	203	220
Printing expenses	1,129	1,633
Restaurant supplies and consumables	5,631	5,205
Travelling expenses	376	896
Others	1,675	769
	<b>45,286</b>	<b>38,137</b>

## 10 EMPLOYEE BENEFIT EXPENSES

	2022 HK\$'000	2021 HK\$'000
Wages, salaries, bonus and other benefits	128,001	121,615
Pension costs — defined contribution plans	5,332	4,850
	<b>133,333</b>	<b>126,465</b>

# Notes to the Consolidated Financial Statements

## 10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included two (2021: three) directors whose emoluments are reflected in the analysis presented in Note 29. The emoluments payable to the remaining three (2021: two) individuals during the years ended 31 December 2022 and 2021 are as follows:

	2022 HK\$'000	2021 HK\$'000
Basic salaries, allowances and benefits	2,703	1,884
Discretionary bonuses	240	470
Employer's contribution to pension scheme	53	36
	<b>2,996</b>	2,390

The emoluments fell within the following bands:

	2022 Number of individuals	2021
Emolument bands (in HK dollar)		
HK\$500,001–HK\$1,000,000	1	–
HK\$1,000,001–HK\$1,500,000	2	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2022 (2021: same).

## 11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5%. For the years ended 31 December 2022 and 2021, tax concession relates to tax reduction of tax payable under two-tiered profits rates regime capped at HK\$165,000 for one of the Hong Kong incorporated entities of the Group.

The amount of income tax expense charged to the consolidated income statement represents:

	2022 HK\$'000	2021 HK\$'000
Current profits tax		
— Current income tax for the year	802	2,416
— Over provision in prior year	(46)	(45)
Deferred tax	246	1,445
Income tax expense	<b>1,002</b>	3,816

# Notes to the Consolidated Financial Statements

## 11 INCOME TAX EXPENSE (CONTINUED)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2022 HK\$'000	2021 HK\$'000
Profit before income tax	4,317	22,737
Share of results of associates	1,544	909
	5,861	23,646
Tax calculated at applicable taxation rates	929	3,632
Effect of the progressive tax rate of 8.25%	165	165
Tax incentive	(336)	–
Income not subject to tax	(2,700)	(847)
Expenses not deductible for tax purposes	1,405	676
Over provision in prior year	(46)	(45)
Utilisation of tax loss previously not recognised	–	(65)
Reversal of deferred tax asset previously recognised	1,233	–
Tax losses and other temporary differences for which no deferred income tax asset recognised	352	300
Income tax expense	1,002	3,816



# Notes to the Consolidated Financial Statements

## 12 (LOSSES)/EARNINGS PER SHARE

### (a) Basic

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

	2022	2021
(Loss)/profit attributable to owners of the Company (HK\$'000)	(533)	13,165
Weighted average number of ordinary shares in issue (in thousands)	384,000	384,000
Basic (losses)/earnings per share (HK cents)	(0.14)	3.43

### (b) Diluted

Diluted (losses)/earnings per share for the years ended 31 December 2022 and 2021 were the same as the basic (losses)/earnings per share as there were no potential dilutive ordinary shares.

## 13(a) PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and fixture HK\$'000	Kitchen and operating equipment HK\$'000	Computer equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>At 1 January 2021</b>							
Cost	371,527	115,446	9,798	17,555	2,645	156	517,127
Accumulated depreciation and impairment	(282,551)	(92,329)	(7,479)	(14,705)	(2,466)	(75)	(399,605)
Net book amount	88,976	23,117	2,319	2,850	179	81	117,522
<b>Year ended 31 December 2021</b>							
Opening net book amount	88,976	23,117	2,319	2,850	179	81	117,522
Additions	22,890	1,810	130	263	115	379	25,587
Lease modification	(1,716)	–	–	–	–	–	(1,716)
Impairment (i)	(6,860)	(2,979)	(327)	(330)	(4)	–	(10,500)
Reversal of impairment (ii)	2,676	1,120	101	187	16	–	4,100
Disposal	–	–	–	–	–	(55)	(55)
Depreciation	(49,148)	(12,589)	(953)	(1,591)	(145)	(44)	(64,470)
Closing net book amount	56,818	10,479	1,270	1,379	161	361	70,468

# Notes to the Consolidated Financial Statements

## 13(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and fixture HK\$'000	Kitchen and operating equipment HK\$'000	Computer equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>At 31 December 2021</b>							
Cost	392,701	117,255	9,928	17,818	2,760	379	540,841
Accumulated depreciation and impairment	(335,883)	(106,776)	(8,658)	(16,439)	(2,599)	(18)	(470,373)
Net book amount	56,818	10,479	1,270	1,379	161	361	70,468
<b>Year ended 31 December 2022</b>							
Opening net book amount	56,818	10,479	1,270	1,379	161	361	70,468
Additions	67,796	15,656	2,417	2,512	475	–	88,856
Lease modification	(4,948)	–	–	–	–	–	(4,948)
Impairment (i)	(160)	(18)	–	(1)	–	–	(179)
Depreciation	(50,424)	(8,491)	(676)	(1,042)	(160)	(71)	(60,864)
Closing net book amount	69,082	17,626	3,011	2,848	476	290	93,333
<b>At 31 December 2022</b>							
Cost	427,615	115,099	10,402	18,403	2,972	379	574,870
Accumulated depreciation and impairment	(358,533)	(97,473)	(7,391)	(15,555)	(2,496)	(89)	(481,537)
Net book amount	69,082	17,626	3,011	2,848	476	290	93,333

# Notes to the Consolidated Financial Statements

## 13(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (i) Impairment

As at 31 December 2022, due to the under-performance of certain restaurants operated in Hong Kong, the management of the Group concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment and right-of-use assets with carrying amounts of HK\$21,353,000 (2021: HK\$4,891,000) and HK\$41,603,000 (2021: HK\$12,966,000) respectively.

If the pre-tax discount rate was increased by 1.5%, which all other variables held constant, the Group would have to further recognise a further impairment loss approximately of HK\$248,000.

Based on the result of the assessment, management of the Group determined that the recoverable amount of certain CGUs is lower than the carrying amount. The recoverable amounts of the CGU which have impairment indicators and being tested for impairment were HK\$88,533,000 (2021: HK\$7,357,000). The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is reduced to a level which is not above the highest of its fair value less cost of disposal and its value in use. Based on the value in use calculation and the allocation, an impairment loss of HK\$160,000 and HK\$19,000 (2021: HK\$3,640,000 and HK\$6,860,000), respectively, has been recognised against the carrying amount of property, plant and equipment and right-of-use assets.

### (ii) Reversal of impairment

As at 31 December 2021, the Group assess whether there is any indication that an impairment loss recognised in prior periods on certain property, plant and equipment and right-of-use assets may no longer exist or may have decreased. Since certain restaurants performance is better than expected, the management of the Group concluded there was indication for reversal of impairment. An impairment loss recognised in prior periods for PPE shall be reversed if, and only if, there has been a change in the estimates used to determine the PPE's recoverable amount since the last impairment loss was recognised.

As at 31 December 2021, based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is higher than the carrying amount. The recoverable amounts of the CGU which have reversal indicators and being tested for reversal of impairment were HK\$8,697,000, which exceeded its carrying amount of HK\$4,597,000. The reversal of impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is recovered to a level which is up to the highest of its fair value less cost of disposal and its value in use but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. Based on the value in use calculation and the allocation, a reversal of impairment loss of HK\$1,424,000 and HK\$2,676,000, respectively, has been recognised into the carrying amount of property, plant and equipment and right-of-use assets.

### (iii) Key assumptions

The recoverable amount of each CGU, representing each restaurant, has been determined based on the higher of fair value less cost of disposal and a value in use calculation. Value in use calculation uses cash flow projections based on financial budgets approved by the management covering the lease terms with pre-tax discount rates of 16% as at 31 December 2022 (2021: 14.5%). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the CGUs' past performance and management expectations for the market development.

# Notes to the Consolidated Financial Statements

## 13(b) LEASES

This note provides information on leases where the Group is a lessee.

### (i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2022 HK\$'000	2021 HK\$'000
<b>Right-of-use assets</b>		
Properties	69,082	56,818
<b>Lease liabilities</b>		
Current	41,795	49,053
Non-current	31,226	18,280
	<b>73,021</b>	<b>67,333</b>

There is HK\$67,796,000 additions to the right-of-use assets during the 2022 financial year (2021: HK\$22,890,000).

There is HK\$4,948,000 decrease to the right-of-use assets during the 2022 financial year as a result of modifications to certain lease agreements (2021: HK\$1,716,000).

During the 2022 and 2021 financial year, no lease agreement in relation to right-of-use assets was early terminated.

### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement show the following amounts relating to leases:

Depreciation charge of right-of-use assets	Note	2022 HK\$'000	2021 HK\$'000
Properties	13(a)	50,424	49,148
Interest expense (included in finance cost)	8	1,922	2,663
Expenses relating to short-term leases		187	186
Expenses relating to variable leases payment		4,916	7,768
		<b>7,025</b>	<b>10,617</b>

The total cash outflows for leases including payments of lease liabilities, payments of interest expenses on leases and payments of contingent rents for the year ended 31 December 2022 were HK\$64,185,000 (2021: HK\$72,959,000).

# Notes to the Consolidated Financial Statements

## 13(b) LEASES (CONTINUED)

### (iii) The Group's leasing activities and how these are accounted for

The Group leases various properties to operate its restaurants and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. Extension options are included in a number of property leases across the Group.

### (iv) Variable lease payments

Contingent rents determined with reference to the Group's revenue from relevant restaurant operations that are not included in lease liabilities are recognised as "rental expenses". The Group recognised HK\$4,916,000 (2021: HK\$7,768,000) contingent rent and government rates for the year ended 31 December 2022.

### (v) Extension options

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

## 14 INTANGIBLE ASSETS

	2022 HK\$'000	2021 HK\$'000
<b>At 1 January</b>		
Cost	2,112	2,112
Accumulated amortisation	(1,128)	(912)
<b>Net book amount</b>	<b>984</b>	1,200
Opening net book amount	984	1,200
Amortisation charge	(122)	(216)
<b>Closing net book amount</b>	<b>862</b>	984
<b>At 31 December</b>		
Cost	2,112	2,112
Accumulated amortisation	(1,250)	(1,128)
<b>Net book amount</b>	<b>862</b>	984

The intangible assets mainly represent the franchise and licensing rights acquired. The intangible assets have estimated useful lives of 10 to 20 years and are amortised on a straight-line basis over the estimated useful lives.

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES

The following is a list of principal subsidiaries as at 31 December 2022.

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group	
				2022	2021
<b>Directly held by group:</b>					
1957 & Co. (BVI) Hospitality Limited	BVI, limited liability company	Investment holding in BVI	1 ordinary share, US\$ 1	100%	100%
<b>Indirect Interests:</b>					
1957 & Co. (Hospitality) HK Limited	Hong Kong, limited liability company	Investment holding and ownership of trade marks in Hong Kong	33,500,000 ordinary shares, HK\$1,000,000	100%	100%
1957 & Co. (Management) Limited	Hong Kong, limited liability company	Restaurant management and consultancy services in Hong Kong	1,000,000 ordinary shares, HK\$1,000,000	100%	100%
1957 & Co. (Shenzhen) Restaurant Management Limited 一九五七(深圳)餐飲管理有限公司	People’s Republic of China, limited liability company*	Restaurant management and consultancy services in the PRC	Registered capital of US\$200,000	100%	100%



# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

				Ownership interest held by the Group	
Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued share capital	31 December 2022	31 December 2021
Indirect Interests:					
1957 and Partners Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	100 ordinary shares, HK\$100	51%	51%
An Nam (Festival Walk) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	1,000,000 ordinary shares, HK\$1,000,000	100%	100%
An Nam Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	10,000,000 ordinary shares, HK\$1,000,000	100%	100%
Bella Vita Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	8,000,000 ordinary shares, HK\$1,000,000	100%	100%
Gonpachi Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	18,000,000 ordinary shares, HK\$1,000,000	100%	100%
Hokkaidon Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	70,000 ordinary shares, HK\$7,000,000	60%	60%
L Garden and Partners Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	100 ordinary shares, HK\$100	71%	71%
Mango Tree (HK) Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	7,000,000 ordinary shares, HK\$1,000,000	100%	100%
Mango Tree (Kowloon) Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	13,000,000 ordinary shares, HK\$1,000,000	100%	100%
Modern Shanghai (Hong Kong) Food & Beverage Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	9,100,000 ordinary shares, HK\$100,000	60%	60%
Modern Shanghai (YOHO Midtown) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	9,000,000 ordinary shares, HK\$100,000	60%	60%
Petit An Nam (YOHO Midtown) Restaurant Limited	Hong Kong, limited liability company	Restaurant operation in Hong Kong	7,500,000 ordinary shares, HK\$1,000,000	100%	100%
Sushi Ta-ke Limited	Hong Kong, limited liability company	Investment holding and restaurant operation in Hong Kong	8,000,000 ordinary shares, HK\$1,000,000	100%	100%

\* Registered as wholly foreign owned enterprises under PRC law

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest

#### Summarised financial information on subsidiary with material non-controlling interests

Set out below are the summarised financial information for subsidiaries that have non-controlling interests.

*Summarised statements of financial position*

**At 31 December 2022**

	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaido Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
<b>Current</b>				
Assets	21,881	11,201	14,567	3,732
Liabilities	(27,685)	(2,338)	(18,980)	(22,799)
Total net current (liabilities)/assets	(5,804)	8,863	(4,413)	(19,067)
<b>Non-current</b>				
Assets	45,451	1,506	13,370	–
Liabilities	(12,378)	–	(5,818)	–
Total net non-current assets	33,073	1,506	7,552	–
Net assets/(liabilities)	27,269	10,369	3,139	(19,067)
Net assets/(liabilities) attributable to NCI	10,908	4,148	1,538	(5,529)

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest (Continued)

#### Summarised financial information on subsidiary with material non-controlling interests (Continued)

Summarised statements of financial position (Continued)

At 31 December 2021

	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
<b>Current</b>				
Assets	24,376	10,109	11,546	6,685
Liabilities	(24,277)	(2,322)	(17,532)	(31,068)
Total net current assets/(liabilities)	99	7,787	(5,986)	(24,383)
<b>Non-current</b>				
Assets	28,770	5,302	9,780	474
Liabilities	(10,350)	(876)	–	–
Total net non-current assets	18,420	4,426	9,780	474
Net assets/(liabilities)	18,519	12,213	3,794	(23,909)
Net assets/(liabilities) attributable to NCI	7,407	4,885	1,859	(6,934)

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest (Continued)

#### Summarised financial information on subsidiary with material non-controlling interests (Continued)

Summarised statements of comprehensive income

	Year ended 31 December 2022			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
Revenue	79,369	15,005	40,794	20,018
Profit before income tax	4,044	910	1,155	3,036
Income tax credit/(expense)	841	47	189	(98)
Total comprehensive income for the year	4,885	957	1,344	2,938
NCI%	40%	40%	49%	29%
Total comprehensive income for the year attributable to non-controlling interests	1,954	383	659	852

	Year ended 31 December 2021			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
Revenue	66,188	19,279	47,548	41,133
Profit before income tax	9,584	2,553	3,571	156
Income tax (expense)/credit	(1,395)	(266)	(523)	98
Other comprehensive loss	(3)	–	–	–
Total comprehensive income for the year	8,186	2,287	3,048	254
NCI%	40%	40%	49%	29%
Total comprehensive income for the year attributable to non-controlling interests	3,274	915	1,494	74

# Notes to the Consolidated Financial Statements

## 15 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interest (Continued)

#### Summarised statements of cash flows

	Year ended 31 December 2022			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
Net cash generated from/(used in) operating activities	6,424	3,242	6,744	(1,432)
Net cash used in investing activities	(27,252)	(4)	(8)	–
Net cash generated from/(used in) financing activities	5,290	(2,306)	(6,132)	(4,335)
Net (decrease)/increase in cash and cash equivalent	(15,538)	932	604	(5,767)
Cash and cash equivalents at beginning of year	21,564	10,358	10,645	5,922
Cash and cash equivalents at end of year	6,026	11,290	11,249	155

	Year ended 31 December 2021			
	Modern Shanghai (Hong Kong) Food & Beverage Limited HK\$'000	Hokkaidon Restaurant Limited HK\$'000	1957 and Partners Limited HK\$'000	L Garden and Partners Limited HK\$'000
Net cash generated from operating activities	24,370	5,581	11,865	5,207
Net cash used in investing activities	(142)	(4)	(21)	–
Net cash used in financing activities	(8,643)	(4,593)	(9,205)	(7,103)
Net (decrease)/increase in cash and cash equivalent	15,585	984	2,639	(1,896)
Cash and cash equivalents at beginning of year	5,979	9,374	8,006	7,818
Cash and cash equivalents at end of year	21,564	10,358	10,645	5,922

# Notes to the Consolidated Financial Statements

## 16 INTEREST IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Investment in associates	438	2,105

Movement of interest in associates during the years ended 31 December 2022 and 2021 are analysed as below:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	2,105	2,935
Share of losses of associates	(1,544)	(909)
Currency translation difference, net	(123)	79
As at 31 December	438	2,105

The particulars of the Group's associated companies as at 31 December 2022 and 2021 are as follows:

Name of entity	Principal activity	Place of business/ country of incorporation	% of ownership interest		Measurement method
			As at 31 December 2022	2021	
Modern Shanghai International Food & Beverage Limited	Investment holding	Hong Kong	40%	40%	Equity method
Guangzhou Mango Tree Food & Beverage Co. Ltd 廣州芒果樹餐飲有限公司	Operation of restaurant	People's Republic of China (the "PRC")	24.9%	24.9%	Equity method
Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd 廣州芒果樹麗柏餐飲有限公司	Operation of restaurant	PRC	15%	15%	Equity method
Guangzhou Ten Shanghai Food & Beverage Co. Ltd 廣州十里弄餐飲有限公司	Operation of restaurant	PRC	24.9%	24.9%	Equity method

Note: The Group is able to exercise significant influence over Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd because it has the power to appoint one out of four directors of that company under the articles of association of that company.



# Notes to the Consolidated Financial Statements

## 16 INTEREST IN ASSOCIATES (CONTINUED)

The amount of unrecognised share of loss of an associate are shown as below:

	2022 HK\$'000	2021 HK\$'000
Unrecognised share of loss of an associate		
Opening balance 1 January	9	–
The unrecognised share of loss of an associate for the year	757	9
Cumulative unrecognised share of loss of an associate	766	9

The directors are of the opinion that the interest in associates is not material to the Group as at 31 December 2022 (2021: same). There are no material contingent liabilities relating to the Group's interest in the associates.

## 17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables		
— Associates	4,232	2,510
— Third parties	4,623	4,104
	8,855	6,614
Less: Impairment loss on trade receivables	(234)	–
	8,621	6,614
Non-current portion		
— Deposits	12,318	3,439
— Prepayments for purchase of property, plant and equipment	39,846	–
	52,164	3,439
Current portion		
— Deposits	10,095	4,405
— Prepayments	4,635	2,187
— Other receivables	1,394	717
	16,124	7,309
	68,288	10,748

# Notes to the Consolidated Financial Statements

## 17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The credit periods granted to customers other than credit card companies were 30 to 180 days (2021: same).

The carrying amounts of trade receivables, deposits and other receivables approximate their fair values and are denominated in HK\$.

Information about the impairment of trade receivable, the Group's exposure to credit risk is set out in note 3.1.

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

	2022 HK\$'000	2021 HK\$'000
1 to 30 days	3,111	2,097
31 to 60 days	984	965
61 to 90 days	251	675
Over 90 days	4,275	2,877
	8,621	6,614

## 18 INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Food and beverages	2,357	2,394

The cost of inventories recognised as expense and included in "cost of inventories sold" amounted to HK\$102,046,000 for the year ended 31 December 2022 (2021: HK\$115,486,000).

# Notes to the Consolidated Financial Statements

## 19 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2022 HK\$'000	2021 HK\$'000
Cash at banks	53,026	93,562
Cash on hand	1,149	819
Cash and cash equivalents	54,175	94,381
Pledged bank deposits (Note)	9,063	7,036
Denominated in:		
Hong Kong Dollar	58,182	97,181
RMB	3,513	2,714
US\$	1,543	1,522
	63,238	101,417
Maximum exposure on credit risk	62,089	100,598

Note: As at 31 December 2022, bank deposits of HK\$2,016,000 and HK\$7,047,000 (2021: HK\$2,010,000 and HK\$5,026,000) were pledged as guarantee for payments under lease agreement and bank borrowings, respectively.

## 20 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital HK\$'000	Share premium HK\$'000
<b>Authorised:</b>			
Ordinary share capital of HK\$0.0001 each as at 31 December 2021 and 2022	3,800,000,000	380	–
<b>Issued and fully paid:</b>			
As at 1 January 2021, 31 December 2021 and 31 December 2022	384,000,000	38	100,980

# Notes to the Consolidated Financial Statements

## 21 TRADE AND OTHER PAYABLES

	2022 HK\$'000	2021 HK\$'000
Trade payables (Note (a))	19,539	21,406
Non-current portion		
— Provision for reinstatement costs	2,116	500
Current portion		
— Accrued staff costs	12,958	15,757
— Payable for contingent rent	641	653
— Payable for purchase of property, plant and equipment	14,458	94
— Guest deposit	1,975	971
— Other accrued operating expenses	8,516	8,433
— Other payables	932	1,300
	39,480	27,208
Total trade and other payables	61,135	49,114

The carrying amounts of trade and other payables approximate their fair value and are denominated in HK\$ (2021: same).

Notes:

- (a) Payment term on majority of purchase of goods is 30 to 60 days (2021: same).

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

	2022 HK\$'000	2021 HK\$'000
1 to 30 days	10,209	11,203
31 to 60 days	9,014	9,982
61 to 90 days	5	7
Over 90 days	311	214
	19,539	21,406

# Notes to the Consolidated Financial Statements

## 22 CONTRACT LIABILITIES

Contract liabilities represent the unutilised credits under the customer loyalty programme.

	2022 HK\$'000	2021 HK\$'000
As at 1 January	1,196	800
Addition	3,073	3,281
Redemption	(2,255)	(2,217)
Expired	(1,244)	(668)
As at 31 December	770	1,196

### (i) Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Operation of restaurants	1,196	800

### (ii) Unsatisfied long-term contracts

The Group selected to choose a practical expedient and omit disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

# Notes to the Consolidated Financial Statements

## 23 BANK BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Current		
Bank borrowings	<b>33,170</b>	5,832

The Group's bank borrowings as at 31 December 2022 and 2021 were all denominated in HK\$.

As at 31 December 2022, the Group's bank borrowings were secured by corporate guarantees given by the Company (2021: same) and pledged bank deposits of HK\$7,047,000 (2021: HK\$5,026,000).

The weighted average effective interest rate of the bank borrowings as at 31 December 2022 was 5.2% per annum (2021: 3.0% per annum).

The carrying amounts of the Group's bank borrowings at 31 December 2022 and 2021 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:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	<b>6,482</b>	4,968
Between 1 and 2 years	<b>5,979</b>	864
Between 2 and 5 years	<b>18,708</b>	–
Over 5 years	<b>2,001</b>	–
	<b>33,170</b>	5,832

The Group did not breach any financial bank covenant during the year ended 31 December 2022 (2021: none).

## 24 DEFERRED TAX

The movements in the net deferred income tax assets are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	<b>10,756</b>	12,201
Charged to income statement (Note 11)	<b>(246)</b>	(1,445)
At 31 December	<b>10,510</b>	10,756

Deferred income tax liabilities are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2021: 16.5%) prevailing at the time when the temporary differences are expected to realise or settle.



# Notes to the Consolidated Financial Statements

## 24 DEFERRED TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. As at 31 December 2022, the Group did not recognise deferred income tax assets of HK\$1,003,000 (2021: HK\$640,000) in respect of tax losses amounting to HK\$6,081,000 (2021: HK\$3,877,000) and did not recognise deferred income tax assets of HK\$1,368,000 (2021: HK\$340,000) in respect of decelerated tax depreciation amounting to HK\$8,289,000 (2021: HK\$2,060,000) that can be carried forward against future taxable income. There is no expiry date for the unrecognised tax assets.

The movement in deferred income tax assets and liabilities during the years ended 31 December 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets		
<i>Decelerated tax depreciation:</i>		
At 1 January	9,596	9,288
Credited to income statement	722	308
At 31 December	10,318	9,596
<i>Tax losses:</i>		
At 1 January	2,896	3,195
Charged to income statement	(1,709)	(299)
At 31 December	1,187	2,896
Deferred income tax assets as at 31 December	11,505	12,492
Deferred tax liabilities		
<i>Leases:</i>		
At 1 January	(1,736)	(282)
Credited/(charged) to income statement	741	(1,454)
At 31 December	(995)	(1,736)
Deferred income tax liabilities as at 31 December	(995)	(1,736)

# Notes to the Consolidated Financial Statements

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost		
— Trade and other receivables excluding prepayments	19,852	15,175
— Amount due from an associate (Note 28 (b))	126	102
— Pledged bank deposits (Note 19)	9,063	7,036
— Cash and cash equivalents (Note 19)	54,175	94,381
	<b>83,216</b>	116,694
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
— Trade and other payables	52,390	43,300
— Loan from non-controlling shareholders (Note 28(b))	7,600	7,600
— Bank borrowings (Note 23)	33,170	5,832
— Lease liabilities (Note 13(b))	73,021	67,333
	<b>166,181</b>	124,065

## 26 COMMITMENT

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2022 HK\$'000	2021 HK\$'000
Property, plant and equipment	422	—

## 27 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS

The major related parties that had transactions and balances with the Group were as follows:

Name of related parties	Relationship with the Group
Modern Shanghai International Food & Beverage Limited	Associated company
Guangzhou Mango Tree Food & Beverage Co. Ltd	Associated company
Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd	Associated company
Guangzhou Ten Shanghai Food & Beverage Co. Ltd	Associated company
Chairman Food & Beverage Management Limited	Non-controlling shareholder of a subsidiary
Food Master (HK) Limited	Non-controlling shareholder of a subsidiary
Jarrett Investments Limited	Non-controlling shareholder of a subsidiary
Perfect Win Properties Limited	Related company controlled by non-controlling shareholder of subsidiaries
Barrowgate Limited	Related company controlled by non-controlling shareholder of subsidiaries

### (a) Key management compensation

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in Note 29.

### (b) Balances with related parties

	2022 HK\$'000	2021 HK\$'000
Non-trading balance:		
Amount due from an associate (Note (c))		
— Modern Shanghai International Food & Beverage Limited	126	102
Non-trading balance:		
Other payables (Note (c))		
— Guangzhou Mango Tree Food & Beverage Co. Ltd	—	(242)
Non-trading balance:		
Loan from non-controlling shareholders		
— Chairman Food & Beverage Management Limited (Note (a))	(4,700)	(4,700)
— Jarrett Investments Limited (Note (b))	(2,900)	(2,900)

# Notes to the Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Balances with related parties (Continued)

	2022 HK\$'000	2021 HK\$'000
Trading balances:		
Pre-opening consultancy services and management fee (Note (d))		
— Guangzhou Mango Tree Food & Beverage Co. Ltd	1,223	785
— Guangzhou Ten Shanghai Food & Beverage Co. Ltd	1,179	981
— Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd	1,596	1,325
Trading balances:		
Lease liabilities (Note (e))		
— Perfect Win Properties Limited	(4,426)	(3,567)
— Barrowgate Limited	(13,321)	(9,415)

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\$.
- (c) These amounts due from/(to) related companies are unsecured, interest-free and repayable on demand. The carrying amount of the balance approximates its fair value and is denominated in HK\$.
- (d) These amounts due from/(to) related companies are unsecured, interest-free and repayable in according to the credit terms mutually agreed. The carrying amount of the balance approximates its fair value and is denominated in HK\$.
- (e) These amounts due to related companies are unsecured, interest-free and repayable in according to the payment terms in the lease agreement. The carrying amount of the balance approximates its fair value and is denominated in HK\$.

# Notes to the Consolidated Financial Statements

## 28 RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Transactions with related parties

	2022 HK\$'000	2021 HK\$'000
Management fee (Note (a))		
— Guangzhou Mango Tree Food & Beverage Co. Ltd	540	579
— Guangzhou Ten Shanghai Food & Beverage Co. Ltd	540	579
— Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd	405	434
Lease payment (Note (b))		
— Perfect Win Properties Limited	9,747	10,785
— Barrowgate Limited	13,075	15,566

Notes:

- (a) Management fee is charged in accordance with the agreement entered into between the relevant parties.
- (b) Lease payment is charged in accordance with the agreement entered into between the relevant parties.

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remunerations of each director for the year ended 31 December 2022 are set out below:

Name	Fee HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money of other benefit HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors:							
Wong Chi Wing, Kinson (Note 1)	121	-	-	-	-	-	121
Kwok Chi Po (Chief Executive Officer)	-	2,418	210	-	1	18	2,647
Lau Ming Fai	-	1,382	120	-	1	18	1,521
Tsui Ngan Fun (Note 2)	10	-	-	-	-	-	10
Lin Huiqin (Note 2)	10	-	-	-	-	-	10
Cai Weike (Note 3)	30	-	-	-	-	-	30
Kwan Wing Kuen Tino (Note 4)	76	-	-	-	-	-	76
Non-executive directors:							
Chan Wai Fung (Note 1)	110	-	-	-	-	-	110
Leung Chi Tien Steve (Note 4)	76	-	-	-	-	-	76
Chan Siu Wan, Anita (Note 4)	76	-	-	-	-	-	76
Independent non-executive Directors							
Yim Hong Cheuk Foster (Note 1)	67	-	-	-	-	-	67
Huen, Felix Ting Cheung (Note 1)	67	-	-	-	-	-	67
Cheang Ana (Note 1)	67	-	-	-	-	-	67
How Sze Ming (Note 4)	114	-	-	-	-	-	114
Ng Wai Hung (Note 4)	114	-	-	-	-	-	114
Chan Kam Kwan Jason (Note 4)	114	-	-	-	-	-	114
	1,052	3,800	330	-	2	36	5,220



# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

The remunerations of each director for the year ended 31 December 2021 are set out below:

Name	Fee HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Estimated money of other benefit HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors:							
Kwok Chi Po (Chief Executive Officer)	–	1,745	1,020	180	79	18	3,042
Kwan Wing Kuen Tino	84	–	700	–	–	–	784
Lau Ming Fai	–	1,252	310	–	11	18	1,591
Non-executive directors:							
Leung Chi Tien Steve	84	–	700	–	–	–	784
Chan Siu Wan, Anita	84	–	–	–	–	–	84
Independent non-executive Directors							
How Sze Ming	144	–	–	–	–	–	144
Ng Wai Hung	144	–	–	–	–	–	144
Chan Kam Kwan Jason	144	–	–	–	–	–	144
	684	2,997	2,730	180	90	36	6,717

Note 1: Appointed on 19 August 2022

Note 2: Appointed on 19 December 2022

Note 3: Appointed on 19 August 2022 and resigned on 19 December 2022

Note 4: Resigned on 19 August 2022

# Notes to the Consolidated Financial Statements

## 29 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' emoluments (Continued)

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as directors of the companies comprising the Group during the years ended 31 December 2022 and 2021.

During the years ended 31 December 2022 and 2021 no directors waived or agreed to waive any emoluments.

### (b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits under a defined benefit scheme or termination benefits during the years ended 31 December 2022 and 2021.

### (c) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2022 and 2021.

### (d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the years or at any time during the years (2021: Nil).

### (e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the year (2021: Nil).

## 30 DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

# Notes to the Consolidated Financial Statements

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### Statement of financial position of the Company

	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a subsidiary	46,483	46,483
<b>Current assets</b>		
Prepayments	276	295
Amounts due from subsidiaries	29,958	14,020
Amount due from an associate	90	78
Cash and cash equivalents	30	8,630
	30,354	23,023
<b>Total assets</b>	<b>76,837</b>	<b>69,506</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	38	38
Share premium	100,980	100,980
Accumulated losses	(43,029)	(37,037)
<b>Total equity</b>	<b>57,989</b>	<b>63,981</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accruals	291	2,081
Amount due to a subsidiary	18,557	3,444
	18,848	5,525
<b>Total liabilities</b>	<b>18,848</b>	<b>5,525</b>
<b>Total equity and liabilities</b>	<b>76,837</b>	<b>69,506</b>

**Kwok Chi Po**  
Director

**Wong Chi Wing Kinson**  
Director

# Notes to the Consolidated Financial Statements

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### Reserve movement of the Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2021	100,980	(33,125)	67,855
Loss for the year	–	(3,912)	(3,912)
As at 31 December 2021	<b>100,980</b>	<b>(37,037)</b>	<b>63,943</b>
Loss for the year	–	(5,992)	(5,992)
As at 31 December 2022	<b>100,980</b>	<b>(43,029)</b>	<b>57,951</b>