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1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8495)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

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

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

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2022:

- the Group recorded revenue of approximately HK\$352.9 million, representing a decrease of approximately 10.5% as compared to the corresponding year ended 31 December 2021;
- the Group received the government grants in the amount of approximately HK\$16.3 million during the year;
- the Group recorded an impairment loss on property, plant and equipment of approximately HK\$0.2 million incurred by a restaurant, representing a decrease of approximately 98.1% as compared to the corresponding year ended 31 December 2021;
- the Group recorded an impairment loss on trade receivables of approximately HK\$0.2 million during the year;
- the Group recorded an adjusted loss before income tax of approximately HK\$11.6 million (2021: adjusted profit of HK\$24.0 million) before the effects of (reversal) of/impairment loss on property, plant and equipment, impairment loss on trade receivables and the government grants received; and
- the Group recorded profit after tax of approximately HK\$3.3 million (2021: HK\$18.9 million).

RESULTS

The Directors are pleased to announce the consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		93,333	70,468
Intangible assets		862	984
Other non-current deposit and prepayment		52,164	3,439
Interest in associates		438	2,105
Deferred tax assets		10,510	10,756
		157,307	87,752
Current assets			
Inventories		2,357	2,394
Trade receivables	<i>11</i>	8,621	6,614
Prepayments, deposits and other receivables		16,124	7,309
Amount due from an associate		126	102
Tax recoverable		3,750	392
Pledged bank deposits		9,063	7,036
Cash and cash equivalents		54,175	94,381
		94,216	118,228
Total assets		251,523	205,980
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>12</i>	38	38
Share premium	<i>12</i>	100,980	100,980
Capital reserve		(2,983)	(2,983)
Exchange reserve		(426)	(25)
Accumulated losses		(32,893)	(32,360)
		64,716	65,650
Non-controlling interest		11,065	7,217
Total equity		75,781	72,867

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		31,226	18,280
Provision for reinstatement costs		2,116	500
		33,342	18,780
Current liabilities			
Trade payables	<i>13</i>	19,539	21,406
Accruals and other payables		39,480	27,208
Lease liabilities		41,795	49,053
Contract liabilities		770	1,196
Income tax payable		46	2,038
Loans from non-controlling shareholders	<i>15</i>	7,600	7,600
Bank borrowings	<i>14</i>	33,170	5,832
		142,400	114,333
Total liabilities		175,742	133,113
Total equity and liabilities		251,523	205,980

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.

(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.

3 SEGMENT INFORMATION

The chief operating decision-maker (the “**CODM**”) has been identified as the executive directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

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

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

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

Segment revenue and results

Year ended 31 December 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)
Revenue from external customers	351,026	1,851	352,877
Result			
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
Other segment items			
Depreciation and amortisation	(58,081)	–	(58,081)
Impairment loss on financial assets	–	(234)	(234)
Impairment loss on property, plant and equipment	(179)	–	(179)
Finance income	177	8	185
Finance costs	(4,512)	(43)	(4,555)

Year ended 31 December 2021

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

Information about major customers

There are no single external customers who contributed more than 10% of the revenue of the Group during the year ended 31 December 2022 (2021: same).

Segment assets and liabilities

At 31 December 2022

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

At 31 December 2021

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

Geographical information

The Group's revenue from operation of restaurants is mainly derived from customers in Hong Kong and revenue from catering management and consultancy services is mainly derived from customers in Hong Kong and the People's Republic of China ("PRC"). The principal assets of the Group were also located in Hong Kong as at 31 December 2022 and 2021. Accordingly, no analysis by geographical segment is provided.

4 REVENUE

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

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

5 OTHER GAINS AND INCOME, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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
	<u>18,758</u>	<u>6,184</u>

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.

6 FINANCE COSTS, NET

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

7 OTHER OPERATING EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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
	<u>45,286</u>	<u>38,137</u>

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

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 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before income tax	4,317	22,737
Share of results of associates	<u>1,544</u>	<u>909</u>
	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)
Reverse of deferred tax asset previously recognised	1,233	–
Tax losses and other temporary differences for which no deferred income tax asset recognised	<u>352</u>	<u>300</u>
Income tax expense	<u><u>1,002</u></u>	<u><u>3,816</u></u>

9 DIVIDEND

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

10 (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 (<i>HK\$'000</i>)	(533)	13,164
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	384,000	384,000
Basic (losses)/earnings per share (<i>HK cents</i>)	<u><u>(0.14)</u></u>	<u><u>3.43</u></u>

(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.

11 TRADE RECEIVABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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
	<u>8,621</u>	<u>6,614</u>

12 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares of the Company	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Authorised: Ordinary share capital of HK\$0.0001 each as at 31 December 2021 and 2022	3,800,000,000	380	–
Issued and fully paid: As at 1 January 2021, 31 December 2021 and 31 December 2022	384,000,000	38	100,980

13 TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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
	<u>19,539</u>	<u>21,406</u>

14 BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Current</i>		
Bank borrowings	<u>33,170</u>	<u>5,832</u>

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 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	6,482	4,968
Between 1 and 2 years	5,979	864
Between 2 and 5 years	18,708	–
Over 5 years	<u>2,001</u>	<u>–</u>
	<u>33,170</u>	<u>5,832</u>

The Group did not breach any financial bank covenant during the year ended 31 December 2022 (2021: none).

15 LOANS FROM NON-CONTROLLING SHAREHOLDERS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-trading balances:		
Chairman Food & Beverage Management Limited (<i>Note (a)</i>)	4,700	4,700
Jarrett Investments Limited (<i>Note (b)</i>)	<u>2,900</u>	<u>2,900</u>
	<u><u>7,600</u></u>	<u><u>7,600</u></u>

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the year ended 31 December 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 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.

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 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 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 Shanghainese 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.

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 Coronavirus Disease 2019 (the “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.

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	% of total	Revenue	% of total
	approximately	revenue from	approximately	revenue from
	HK\$’000	operation of	HK\$’000	operation of
		restaurant		restaurant
		approximately		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	<u>351,026</u>	<u>100.0</u>	<u>392,164</u>	<u>100.0</u>

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.

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-allocations of employees from existing restaurants; (ii) increasing productivity of the staff by providing training; and (iii) minimising attrition levels by continuing to implement various employee retention initiatives to promote employee loyalty and motivate the employees.

Depreciation and amortisation

The Group recorded depreciation and amortisation of approximately HK\$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\$4.1 million).

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.

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.

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 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.

However, none of the above-mentioned plans have been materialised as at the date of this announcement. The Company will comply with the relevant disclosure requirements under the GEM Listing Rules as and when appropriate. It is currently expected 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 (the “**Shareholder**”).

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) 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	Settled certain costs for Paper Moon Restaurant
	Open a restaurant under the Modern Shanghai brand in Lee Garden Two, Causeway Bay, Hong Kong	10 Shanghai Restaurant was opened in January 2018
	Open a restaurant under a refined Ta-ke brand in Lee Garden Two, Causeway Bay, Hong Kong	Ta-ke Japanese Restaurant was opened in March 2018
	Set up two restaurants under the Modern Shanghai brand in shopping mall in Guangzhou	Guangzhou Ten Shanghai Food & Beverage Co. Ltd operated a restaurant, namely 十里弄堂, 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
	Set up a restaurant under the Mango Tree brand and set up a restaurant under the Mango Tree Café brand in shopping mall in Guangzhou	Guangzhou Mango Tree Food & Beverage Co. Ltd. operated a restaurant, namely 芒果樹 (K11 店), which was set up and opened in Guangzhou K11 shopping mall in May 2018 for the Mango Tree brand and Guangzhou Mango Tree (La Perle) Food & Beverage Co. Ltd. operated a restaurant, namely 芒果樹 (麗柏廣場店), which was set up and opened in Guangzhou La Perle shopping mall in September 2019

	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)	Open a restaurant under the Hokkaidon brand and a restaurant under the Mango Tree brand in a shopping mall in Hong Kong	The Group is still in the process of identifying a desirable location to open the restaurant
	Open a restaurant under the Modern Shanghai brand in a shopping mall in Hong Kong	Modern Shanghai (Olympian City) Restaurant was opened in September 2019
	Set up a restaurant under the Mango Tree Café brand in a shopping mall in Shenzhen	The Group will no longer pursue to open this restaurant in Shenzhen
	Set up a restaurant under a refined Ta-ke brand in a shopping mall in Shenzhen	The Group will no longer pursue to open this restaurant in Shenzhen
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 repayment of borrowings and payment of lease liabilities 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 14.

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).

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.

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 make 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 announcement, 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.

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.

Meanwhile, we will continue to review the operation and evaluate the performance of our existing and minority stake invested restaurants, and formulate adequate strategies for each restaurant and our development plan with a more proactive but conservative approach in response to changes in the industry and economic environment.

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 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.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code throughout the year. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Further information on the Group's corporate governance practices will be set out in the Corporate Governance Report contained in the Group's annual report for the year ended 31 December 2022, which will be sent to Shareholders in due course.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

Pursuant to the requirements of the CG Code and the GEM Listing Rules, the Company has established an audit committee (the "**Audit Committee**") that comprises three independent non-executive Directors, namely Mr. Huen, Felix Ting Cheung (Chairman), Mr. Yim Hong Cheuk Foster and Ms. Cheang Ana.

The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2022. The Audit Committee is of the view that the consolidated financial statements have been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

The figures in respect of the Group's consolidated income statement, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers in the preliminary announcement.

ANNUAL GENERAL MEETING

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

A Shareholder's communication policy was adopted by the Board at the Board meeting held on 6 November 2017 aiming to provide 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 annual reports, interim reports and quarterly reports, which are sent to Shareholders. 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 Stock Exchange's website and the Company's website. All corporate communication with Shareholders will be posted on the Company's website 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.

APPRECIATION

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

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

Hong Kong, 22 March 2023

As of the date of this announcement, the executive Directors are Mr. Wong Chi Wing Kinson, Mr. Kwok Chi Po, Mr. Lau Ming Fai, Ms. Tsui Ngan Fun and Ms. Lin Huiqin; the non-executive Director is Mr. Chan Wai Fung; and the independent non-executive Directors are Mr. Yim Hong Cheuk Foster, Mr. Huen, Felix Ting Cheung and Ms. Cheang Ana.

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