



1957 & Co. (Hospitality) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8495

Third Quarterly Report 2023



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

Financial Highlights

During the nine months ended 30 September 2023:

- the Group recorded unaudited revenue of approximately HK\$341.5 million (2022: HK\$243.6 million), representing an increase of approximately 40.2% as compared to the corresponding period ended 30 September 2022;
- the Group recorded an unaudited adjusted loss before tax and government grants of approximately HK\$10.0 million (2022: HK\$12.1 million); and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$11.1 million (2022: HK\$1.7 million).

During the three months ended 30 September 2023:

- the Group recorded unaudited revenue of approximately HK\$118.0 million (2022: HK\$107.3 million), representing an increase of approximately 10.0% as compared to the corresponding period ended 30 September 2022;
- the Group recorded an unaudited adjusted profit before tax and government grants of approximately HK\$0.6 million (2022: HK\$3.6 million); and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$0.2 million (2022: profit of HK\$6.5 million).

Condensed Consolidated Income Statement

For the three months and nine months ended 30 September 2023

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023 (UNAUDITED)

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2023, together with the unaudited comparative figures for the corresponding periods in 2022, as follows:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	117,999	107,264	341,456	243,641
Other gains and income, net	4	50	5,127	1,820	16,129
Cost of inventories sold		(30,472)	(29,727)	(91,297)	(70,716)
Employee benefit expenses		(44,041)	(38,325)	(130,522)	(96,800)
Depreciation and amortisation		(22,534)	(16,428)	(64,163)	(43,246)
Royalty fees		(1,472)	(1,475)	(4,802)	(3,462)
Rental expenses		(2,117)	(1,751)	(6,594)	(4,885)
Utilities expenses		(3,153)	(3,079)	(9,107)	(7,606)
Other operating expenses	5	(11,068)	(13,058)	(39,732)	(31,513)
Operating profit/(loss)		3,192	8,548	(2,941)	1,542
Finance income		335	3	742	5
Finance costs		(2,981)	(554)	(7,401)	(1,456)
Finance costs, net	6	(2,646)	(551)	(6,659)	(1,451)
Share of profits/(losses) of associates		9	(238)	(437)	(988)
Profit/(loss) before income tax		555	7,759	(10,037)	(897)
Income tax credit/(expense)	7	704	(215)	1,706	(269)
Profit/(loss) for the period		1,259	7,544	(8,331)	(1,166)
(Loss)/profit for the period attributable to:					
— Owners of the Company		(158)	6,521	(11,087)	(1,712)
— Non-controlling interests		1,417	1,023	2,756	546
		1,259	7,544	(8,331)	(1,166)
(Losses)/earnings per share attributable to owners of the Company for the period (expressed in HK cents per share)					
— Basic and diluted	9	(0.04)	1.70	(2.89)	(0.45)

Condensed Consolidated Income Statement

For the three months and nine months ended 30 September 2023

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	1,259	7,544	(8,331)	(1,166)
Other comprehensive loss				
<i>Items that may be reclassified to profit or loss</i>				
— Currency translation differences	(22)	(278)	(163)	(371)
— Share of other comprehensive loss of associates accounted for using the equity method	(10)	(78)	(2)	(148)
Total comprehensive income/(loss) for the period	1,227	7,188	(8,496)	(1,685)
Total comprehensive income/(loss) for the period attributable to:				
— Owners of the Company	(190)	6,165	(11,252)	(2,231)
— Non-controlling interests	1,417	1,023	2,756	546
	1,227	7,188	(8,496)	(1,685)

Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2023

	Attributable to the owners of the Company					Non-controlling interest		Total equity
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	HK\$'000	
(Unaudited)								
As at 1 January 2022	38	100,980	(2,983)	(25)	(32,360)	65,650	7,217	72,867
Comprehensive (loss)/income (Loss)/profit for the period	–	–	–	–	(1,712)	(1,712)	546	(1,166)
Other comprehensive loss								
Currency translation differences	–	–	–	(371)	–	(371)	–	(371)
Share of other comprehensive loss of associates accounted for using equity method	–	–	–	(148)	–	(148)	–	(148)
Total comprehensive (loss)/income	–	–	–	(519)	(1,712)	(2,231)	546	(1,685)
Balance at 30 September 2022	38	100,980	(2,983)	(544)	(34,072)	63,419	7,763	71,182
(Unaudited)								
As at 1 January 2023	38	100,980	(2,983)	(426)	(32,893)	64,716	11,065	75,781
Comprehensive (loss)/income (Loss)/profit for the period	–	–	–	–	(11,087)	(11,087)	2,756	(8,331)
Other comprehensive loss								
Currency translation differences	–	–	–	(163)	–	(163)	–	(163)
Share of other comprehensive loss of associates accounted for using equity method	–	–	–	(2)	–	(2)	–	(2)
Total comprehensive (loss)/income	–	–	–	(165)	(11,087)	(11,252)	2,756	(8,496)
Transaction with owners								
Repayment of shareholder loans	–	–	–	–	–	–	(3,430)	(3,430)
Total transaction with owners	–	–	–	–	–	–	(3,430)	(3,430)
Balance at 30 September 2023	38	100,980	(2,983)	(591)	(43,980)	53,464	10,391	63,855

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 February 2016 as an exempted company with limited liability under Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company's shares were listed on GEM of the Stock Exchange on 5 December 2017. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is 33/F, Times Tower, 391-407 Jaffe Road, Hong Kong.

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial statements of the Group for the nine months ended 30 September 2023 (the "**Consolidated Financial Results**") have been prepared in accordance with the accounting principles generally accepted in Hong Kong issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The Consolidated Financial Results should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The Consolidated Financial Results are presented in thousands of Hong Kong dollars ("**HK\$'000**"), unless otherwise stated.

Except as described below, the accounting policies and methods of computation used in the preparation of the Consolidated Financial Results are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2022.

The Group has adopted the following new standards, interpretation and amendments to standards which are relevant to the Group's operations and are mandatory for the financial period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)
HKAS 8	Definition of Accounting Estimates (amendments)
HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (amendments)

The adoption of the above new standards, interpretation and amendments to standards did not have any significant financial impact on the Consolidated Financial Results.

Notes to the Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 2024 or later periods, but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
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 REVENUE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Operation of restaurants, recognised at a point in time	117,999	106,662	341,106	242,152
Catering management and consultancy services, recognised overtime	—	602	350	1,489
	117,999	107,264	341,456	243,641

Notes to the Condensed Consolidated Financial Statements

4 OTHER GAINS AND INCOME, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	–	4,164	48	11,244
Sundry income	50	963	2,026	4,885
Net loss on disposal of property, plant and equipment	–	–	(254)	–
	50	5,127	1,820	16,129

5 OTHER OPERATING EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Auditor's remuneration	383	328	1,187	1,009
Advertising and promotion	355	130	2,116	431
Cleaning and laundry expenses	3,954	3,576	11,739	8,949
Credit card charges	1,755	1,589	5,114	3,648
Commission	792	874	2,420	2,341
Decoration, repairs and maintenance	536	890	5,708	2,653
Entertainment expenses	38	333	124	724
Legal and professional fees	829	2,199	3,213	4,999
Paper and related supplies	489	601	1,369	1,649
Printing expenses	283	449	1,016	890
Restaurant supplies and consumables	847	1,219	2,942	2,441
Miscellaneous	807	870	2,784	1,779
	11,068	13,058	39,732	31,513

Notes to the Condensed Consolidated Financial Statements

6 FINANCE COSTS, NET

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Finance income	144	3	259	5
Interest income				
Imputed interest income on deposit paid	191	–	483	–
	335	3	742	5
Finance costs				
Interest expenses on bank borrowings	(719)	(20)	(1,669)	(90)
Interest expenses on lease liabilities	(2,084)	(534)	(5,554)	(1,366)
Interest charges on discount	(178)	–	(178)	–
	(2,981)	(554)	(7,401)	(1,456)
Finance costs, net	(2,646)	(551)	(6,659)	(1,451)

7 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5%. For the nine months ended 30 September 2023 and 2022, 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.

8 DIVIDEND

No dividend has been paid or declared by the Company for the nine months ended 30 September 2023 (2022: nil).

Notes to the Condensed Consolidated Financial Statements

9 (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 period.

	For the three months ended 30 September		For the nine months ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(158)	6,521	(11,087)	(1,712)
Weighted average number of ordinary shares in issues (in thousands)	384,000	384,000	384,000	384,000
Basic (losses)/earnings per share (HK cents)	(0.04)	1.70	(2.89)	(0.45)

b. Diluted

Diluted (losses)/earnings per share for the three months and nine months ended 30 September 2023 and 2022 were the same as the basic (losses)/earnings per share as there were no potential dilutive ordinary shares.

Management Discussion and Analysis

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

During the nine months ended 30 September 2023 (the “**Review Period**”), the Group had been principally engaged in operating full services restaurants under various brands and was dedicated to serving quality Japanese, Thai, Vietnamese, Shanghaiese and Italian cuisines to different customers. In addition to the restaurant operation business, the Group also provided restaurant management and consultancy services in Hong Kong and the People’s Republic of China (the “**PRC**”).

BUSINESS REVIEW

Hong Kong

During the Review Period, we (1) opened two new restaurants in Hong Kong, namely Gonpachi restaurant at One Peking in Tsimshatsui and Modern Shanghai Imperial restaurant at The Wai in Shatin; (2) relocated two restaurants, namely An Nam restaurant and Gonpachi restaurant, from Lee Garden One to Lee Garden Two in Causeway Bay; and (3) closed two loss-making restaurants, namely Mango Tree restaurant at Cityplaza in Taikoo Shing and Mango Tree Café at Yoho Mall in Yuen Long. None of our restaurants had undergone any significant renovation.

As at 30 September 2023, the Group had a total of thirteen restaurants under six self-owned brands in Hong Kong, namely, Akanoshou, An Nam, Modern Shanghai, Modern Shanghai Imperial, 10 Shanghai and Hokkaidon and three franchised or sub-licensed brands, namely, Mango Tree, Gonpachi and Paper Moon.

During the Review Period, three tenancy agreements have been signed for the renewal of:

- (a) an existing Italian cuisine restaurant (where our Paper Moon restaurant is located) at Harbour City in Tsimshatsui, the expiry of lease had been extended from 15 June 2023 to 14 June 2025;
- (b) an existing Shanghaiese cuisine restaurant (where our Modern Shanghai restaurant is located) at Yoho Mall in Yuen Long, the expiry of lease had been extended from 1 June 2023 to 31 May 2026; and
- (c) an existing Vietnamese cuisine restaurant (where our An Nam restaurant is located) at Festival Walk in Kowloon, the expiry of lease had been extended from 14 September 2023 to 13 September 2024.

The PRC

As at 30 September 2023, 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 of Guangzhou Mango Tree Food & Beverage Co. Ltd (廣州芒果樹餐飲有限公司), 24.9% equity interests of Guangzhou Ten Shanghai Food & Beverage Co. Ltd (廣州十里弄餐飲有限公司) and 15.0% equity interests of 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 Review Period in the PRC. The Group will continue to closely monitor the performance of its stake invested restaurants in the PRC.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the Review Period, approximately 99.9% of the Group's revenue was generated from the operation of restaurants in Hong Kong and approximately 0.1% of the Group's revenue was generated from the pre-opening consultancy and restaurant management services. As at 30 September 2023, the Group was operating thirteen (2022: thirteen) restaurants, of which two (2022: one) restaurants were newly opened and two (2022: nil) restaurants were closed down for the Review Period in Hong Kong.

The revenue increased by approximately 40.2% from approximately HK\$243.6 million for the nine months ended 30 September 2022 to approximately HK\$341.5 million for the Review Period.

The Group served mainly five different cuisines during the Review Period. The table below sets forth a breakdown of the Group's revenue generated by operation of restaurants by type of cuisine and as a percentage of total revenue generated by operation of restaurants for the periods indicated:

	For the nine months ended 30 September			
	2023		2022	
	Revenue HK\$'000	% of total Revenue (%)	Revenue HK\$'000	% of total Revenue (%)
Shanghainese	125,284	36.7	77,218	31.9
Japanese	88,825	26.0	56,438	23.3
Vietnamese	48,003	14.1	30,546	12.6
Thai	42,510	12.5	49,148	20.3
Italian	36,484	10.7	28,802	11.9
Total	341,106	100.0	242,152	100.0

Shanghainese-style restaurants

The revenue generated from operation of Shanghainese-style restaurants increased by approximately HK\$48.1 million, or approximately 62.3%, from approximately HK\$77.2 million for the nine months ended 30 September 2022 to approximately HK\$125.3 million for the Review Period. The substantial increase in revenue was mainly attributable to the revenue generated from the new Modern Shanghai Imperial restaurant at The Wai in Shatin which was opened in late July 2023 and the revenue bounced back after all social distancing measures on catering business had been lifted by the Hong Kong government.

Japanese-style restaurants

The revenue generated from operation of Japanese-style restaurants increased by approximately HK\$32.4 million, or approximately 57.4%, from approximately HK\$56.4 million for the nine months ended 30 September 2022 to approximately HK\$88.8 million for the Review Period. The substantial increase was mainly due to the revenue generated from the new Gonpachi restaurant at One Peking in Tsimshatsui which was opened in mid-January 2023 and the revenue bounced back after all social distancing measures on catering business had been lifted by the Hong Kong government.

Management Discussion and Analysis

Vietnamese-style restaurants

The revenue generated from operation of Vietnamese-style restaurants increased by approximately HK\$17.5 million, or approximately 57.4%, from approximately HK\$30.5 million for the nine months ended 30 September 2022 to approximately HK\$48.0 million for the Review Period. The substantial increase was mainly because the revenue bounced back after all social distancing measures on catering business had been lifted by the Hong Kong government.

Thai-style restaurants

The revenue generated from operation of Thai-style restaurants decreased by approximately HK\$6.6 million, or approximately 13.4%, from approximately HK\$49.1 million for the nine months ended 30 September 2022 to approximately HK\$42.5 million for the Review Period. The decrease in revenue was mainly caused by the closure of the Mango Tree restaurant at Cityplaza in Taikoo Shing and the Mango Tree Café at Yoho Mall in Yuen Long in April 2023.

Italian-style restaurant

The revenue generated from operation of Italian-style restaurant increased by approximately HK\$7.7 million, or approximately 26.7%, from approximately HK\$28.8 million for the nine months ended 30 September 2022 to approximately HK\$36.5 million for the Review Period. The increase was mainly because the revenue bounced back after all social distancing measures on catering business had been lifted by the Hong Kong government.

Other gains and income

Other gains and income for the Review Period amounted to approximately HK\$1.8 million, representing a decrease of approximately 88.8% as compared with that of the nine months ended 30 September 2022 which amounted to HK\$16.1 million. Such decrease was mainly resulted from the reduction in subsidies received by the Group from the Hong Kong government under the Employment Support Scheme and Catering Business (Social Distancing) Subsidy Scheme under the Anti-epidemic Fund.

Cost of inventories sold

The cost of inventories consumed mainly represents the costs of food ingredients and beverages for the operation of the Group's restaurants. The major food ingredients purchased by the Group include, but not limited to, meat, seafood, frozen food, vegetables and beverages. Cost of inventories consumed is one of the major components of the Group's operating expenses which amounted to approximately HK\$91.3 million and HK\$70.7 million for each of the nine months ended 30 September 2023 and 2022, respectively, representing approximately 26.8% and 29.2% respectively of the Group's total revenue generated from operation of restaurants for the corresponding period. The cost of inventories sold as a percentage of revenue decreased, mainly attributable to cost control measures.

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits, and were one of the largest components of the operating expenses of the Group. The staff costs increased from approximately HK\$96.8 million for the nine months ended 30 September 2022 to approximately HK\$130.5 million for the Review Period, representing an increase of approximately 34.8% in comparison. As compared to the minimal usage of staff (especially the casual staff) during the nine months ended 30 September 2022 with dine-in services ban during dinner session, the substantial increase in staff costs was mainly due to the increase of total labour forces followed by the increased number of operating restaurants so as to maintain sufficient staff level for our restaurants during the Review Period which is consistent with the growth in the Group's revenue. The Group recorded an increase in staff costs during the three months ended 30 September 2023 mainly contributed by the additional labour force for the new Modern Shanghai Imperial restaurant at The Wai in Shatin and Gonpachi restaurant at One Peking in Tsimshatsui. As a percentage of revenue, the staff costs slightly reduced from 39.7% to 38.2% when compared to the corresponding period in 2022.

Management Discussion and Analysis

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

Depreciation and amortisation

The Group recorded depreciation and amortisation of approximately HK\$64.2 million and HK\$43.2 million for the nine months ended 30 September 2023 and 2022, respectively for its right-of-use assets, leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicle. The increase in such expenses was mainly attributable to the new leases and additions of property, plant and equipment acquired for five new restaurants as compared to the same period in 2022.

Rental expenses

The rental expenses for the Review Period amounted to approximately HK\$6.6 million, representing an increase of approximately 34.7% as compared with that of the nine months ended 30 September 2022 which amounted to approximately HK\$4.9 million. The increase was due to the increase in revenue of our restaurants which led to an increase in turnover rent incurred.

Utility expenses

Utility expenses primarily consist of electricity, gas and water supplies of the Group. For the nine months ended 30 September 2023 and 2022, the total utility expenses amounted to approximately HK\$9.1 million and HK\$7.6 million, respectively. As a percentage of revenue, utilities decreased slightly from 3.1% for the nine months ended 30 September 2022 to 2.7% for the Review Period.

Other operating expenses

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

The other operating expenses increased from approximately HK\$31.5 million for the nine months ended 30 September 2022 to approximately HK\$39.7 million for the Review Period, representing an increase of approximately 26.0%. This increase was mainly attributable to the cost increment in line with the increase of sales revenue. During the Review Period, the Group recorded (1) certain amounts of promotion expenses and restaurant supplies and consumables for the new Akanoshou restaurant at HDH Centre in Causeway Bay, the new Gonpachi restaurant at One Peking in Tsimshatsui and the relocated An Nam restaurant and Gonpachi restaurant at Lee Garden Two in Causeway Bay; and (2) approximately HK\$3.6 million one-off reinstatement cost after the early termination of the lease in Lee Garden One (the previous location of our An Nam restaurant and Gonpachi restaurant) and the expiry of leases at Yoho Mall in Yuen Long and at Cityplaza in Taikoo Shing (the previous locations of our Mango Tree Café and Mango Tree restaurant, respectively) in 2023. As a percentage of revenue, other operating expenses slightly reduced from 12.9% for the nine months ended 30 September 2022 to 11.6% for the Review Period.

Management Discussion and Analysis

Income tax credit/(expenses)

The Group's income tax credit amounted to approximately HK\$1.7 million for the Review Period as compared to income tax expenses of approximately HK\$0.3 million for the corresponding period in 2022. Such decrease was mainly due to the loss incurred for the relocated and new restaurants.

Finance costs

The Group's finance costs increased from approximately HK\$1.5 million for the nine months ended 30 September 2022 to approximately HK\$7.4 million for the Review Period. The increase in finance costs was mainly attributable to the increase in bank borrowings in line with the interest rate hike and the finance costs incurred for new leases and lease renewal.

Loss for the period

The Group recorded a loss for the period of approximately HK\$8.3 million for the Review Period as compared to a loss of approximately HK\$1.2 million for the corresponding period in 2022.

The loss was mainly attributable to the operating loss incurred for our two newly opened restaurants, namely Akanoshou restaurant at HDH Centre in Causeway Bay and Gonpachi restaurant at One Peking in Tsimshatsui, and two relocated restaurants, namely An Nam restaurant and Gonpachi restaurant at Lee Garden Two in Causeway Bay, of which they incurred approximately HK\$4.6 million one-off pre-opening expenses, such as rental expenses, staff costs, marketing expenses and promotion expenses. Followed by the early termination of the lease in Lee Garden One (the previous location of our An Nam restaurant and Gonpachi restaurant), the Group recorded approximately HK\$2.4 million of reinstatement cost which contributed to the loss incurred for the Review Period. With the expiry of the leases at Yoho Mall in Yuen Long and at Cityplaza in Taikoo Shing (the previous locations of our Mango Tree Café and Mango Tree restaurant, respectively), the Group recorded approximately HK\$1.2 million of reinstatement cost.

PROSPECT

Currently, we are operating thirteen restaurants in Hong Kong, comprising eight under our own brands and five under franchise or sub-license arrangements. In order to demonstrate our finest food supplies on dining tables, the Group continues to invest in opening new restaurants and retaining existing restaurants by renewing the lease agreements during the Review Period. New restaurants, namely Gonpachi restaurant at One Peking in Tsimshatsui and Modern Shanghai Imperial restaurant at The Wai in Shatin were opened in January 2023 and July 2023 respectively.

The Group will continue to diversify its income stream by expanding into various businesses, including food supply chain business, the sub-franchising business and the restaurant consultancy business in Hong Kong and the PRC. The food supply chain business enables us to penetrate into the food supplies market and make a commitment towards the selection of finest quality food products by the Group, whereas the sub-franchising business and the restaurant consultancy business allow us to make good use of our knowledge and experience in the food and beverage industry to strive in developing these two sectors.

We will continuously improve the quality of our restaurants and evaluate prospects for organic growth and investment in order to optimise the Group's position for sustainable long-term expansion and to provide steady return for the shareholders of the Company (the "**Shareholders**").

Corporate Governance and Other Information

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

As at 30 September 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	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 30 September 2023, 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 report, at no time during the Review Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Corporate Governance and Other Information

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

As at 30 September 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
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 30 September 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

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

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

The Share Option Scheme will remain in force for a period of ten years commencing on 6 November 2017. For more details, please refer to the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV of the prospectus of the Company dated 23 November 2017. The remaining life of the Share Option Scheme is approximately 4 years.

Up to 30 September 2023, no share option has been granted under the Share Option Scheme. As at 1 January 2023 and 30 September 2023, the total number of shares of the Company in respect of which share options are available for grant under the Share Option Scheme is 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 report.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CORPORATE GOVERNANCE

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

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

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 of the Audit Committee), Mr. Yim Hong Cheuk Foster and Ms. Cheang Ana.

The Audit Committee has reviewed the third quarterly results of the Group for the Review Period. The Audit Committee is of the view that the condensed consolidated financial information has been prepared in accordance with the applicable accounting standards, the GEM Listing Rules and the statutory provisions, sufficient disclosures have already been made.

The condensed consolidated financial results of the Group for Review Period are unaudited and have not been audited or reviewed by the Company's auditors.

Corporate Governance and Other Information

DIVIDEND

The Board did not recommend the payment of any dividend for the Review Period (2022: nil).

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the Review Period.

PUBLICATION OF THIRD QUARTERLY REPORT

This third quarterly report is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.1957.com.hk.

By order of the Board

1957 & Co. (Hospitality) Limited

Kwok Chi Po

Chief Executive Officer and Executive Director

Hong Kong, 8 November 2023

As at the date of this report, 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.