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Fulum Group Holdings Limited
富臨集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1443)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

HIGHLIGHTS

- Revenue was approximately HK\$772.6 million (corresponding period in 2020: approximately HK\$565.6 million), representing an increase of approximately 36.6%
- Gross profit margin¹ was at approximately 65.4% (corresponding period in 2020: approximately 66.7%), representing a decrease of approximately 1.3 percentage point
- Loss attributable to owners of the Company was approximately HK\$2.3 million (corresponding period in 2020: approximately HK\$95.9 million)
- Basic loss per share² was HK0.17 cents (corresponding period in 2020: HK7.38 cents)
- The guest count was approximately 7.4 million (corresponding period in 2020: approximately 5.8 million), representing an increase of approximately 27.6%
- The Board has resolved not to declare the payment of any interim dividend

¹ *Gross profit equals revenue minus cost of inventories sold. Gross profit margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%.*

² *The calculation of the basic loss per share amounts is based on loss for the period attributable to owners of the Company of approximately HK\$2,258,000 (corresponding period in 2020: approximately HK\$95,907,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2020: 1,300,000,000) in issue during the Reporting Period.*

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fulum Group Holdings Limited (the “**Company**”), together with its subsidiaries (collectively the “**Group**”), hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2021 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2020 (the “**Previous Reporting Period**”). The condensed consolidated interim financial statements for the Reporting Period have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	4	772,560	565,643
Other income and gains, net	5	33,964	81,364
Cost of inventories sold		(267,662)	(188,540)
Staff costs		(248,604)	(184,127)
Property rentals and related expenses		(35,686)	(31,376)
Depreciation		(140,978)	(163,083)
Fuel and utility expenses		(45,204)	(43,083)
Other expenses		(60,063)	(114,916)
Share of profit of a joint venture		11	–
Finance costs	6	(10,536)	(17,220)
LOSS BEFORE TAX		(2,198)	(95,338)
Income tax expense	7	(60)	(569)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	8	(2,258)	(95,907)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
		Notes	
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>223</u>	<u>1,602</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(2,035)</u>	<u>(94,305)</u>
LOSS PER SHARE			
– Basic and diluted (HK cents)	10	<u>(0.17)</u>	<u>(7.38)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2021

		30 September 2021 <i>Notes</i> HK\$'000 (Unaudited)	31 March 2021 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	11	165,509	169,988
Investment in a joint venture		14	–
Right-of-use assets		521,558	601,877
Deposits and other receivables		81,019	54,726
		<hr/>	<hr/>
Total non-current assets		768,100	826,591
CURRENT ASSETS			
Inventories	12	80,070	93,382
Trade receivables	13	21,602	9,708
Prepayments, deposits and other receivables		67,107	119,138
Financial assets at fair value through profit or loss		400	–
Amount due from a joint venture		2,499	–
Tax recoverable		2,834	12,194
Cash and cash equivalents		144,041	145,074
		<hr/>	<hr/>
Total current assets		318,553	379,496
CURRENT LIABILITIES			
Trade payables	14	68,017	51,711
Other payables, accruals and deferred income		175,193	172,827
Interest-bearing bank borrowings		195,777	177,758
Lease liabilities		275,845	320,320
Provision		7,858	12,205
Tax payable		3,318	1,780
		<hr/>	<hr/>
Total current liabilities		726,008	736,601
NET CURRENT LIABILITIES		<hr/> (407,455)	<hr/> (357,105)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 360,645	<hr/> 469,486

	30 September 2021 <i>Notes</i> HK\$'000 (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
NON-CURRENT LIABILITIES		
Accruals and deferred income	1,806	11,981
Lease liabilities	230,159	326,153
Provision	7,894	8,803
Deferred tax liabilities	570	570
	<hr/>	<hr/>
Total non-current liabilities	240,429	347,507
	<hr/>	<hr/>
Net assets	120,216	121,979
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	1,300	1,300
Reserves	118,916	120,679
	<hr/>	<hr/>
Total equity	120,216	121,979
	<hr/>	<hr/>

NOTES

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 24 February 2014. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 26/F, Capital Tower, 38 Wai Yip Street, Kowloon Bay, Hong Kong.

The Company is an investment holding company and the Company's subsidiaries were principally engaged in restaurant operations in Hong Kong and the People's Republic of China (the "**PRC**" or "**Mainland China**"). The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 November 2014.

2. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2021 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2021.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$2,258,000 for the six months ended 30 September 2021 and as at 30 September 2021, the Group had net current liabilities of approximately HK\$407,455,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In addition, taking into account a number of sources of finance available to fund its operations including future operating cash inflows and the financial support from the controlling shareholder of the Company when needed, the Directors consider that the Group will have sufficient working capital to finance its operations and be able to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's condensed consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2021. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the unaudited condensed consolidated financial statements of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in restaurant operations in Hong Kong and Mainland China. Information reported to the Group’s management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Revenue represents the gross revenue from restaurant operations and net invoiced value of food and other operating items sold, after allowances for returns and trade discounts. An analysis of revenue is as follows:

	For the six months ended 30	
	September	
	2021	2020
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Restaurant operations	738,387	529,102
Sale of food and other operating items	34,173	36,541
	772,560	565,643

For the six months ended 30 September 2021 and 2020, all revenues were recognised at a point in time.

Information about Geographical Areas

The following tables present revenue from external customers for the six months ended 30 September 2021 and 2020, and certain non-current assets information as at 30 September 2021 and 31 March 2021, by geographical areas.

(a) Revenue from external customers

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	729,824	523,771
Mainland China	42,736	41,872
	<u>772,560</u>	<u>565,643</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 September	31 March
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	620,188	708,014
Mainland China	66,879	64,198
	<u>687,067</u>	<u>772,212</u>

The non-current assets information above is based on the locations of the assets and excludes investment in a joint venture and financial assets.

Information about Major Customers

Since no single customer of the Group has contributed over 10% of the Group's total revenue during the period, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

5. OTHER INCOME AND GAINS, NET

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	62	511
Interest income on rental deposits	119	133
Licensing income	376	364
Food court income	11,517	2,778
Government subsidies (note)	15,597	68,624
Gain on lease modification	583	4,760
Sponsorship income	752	214
Others	4,958	3,980
	<u>33,964</u>	<u>81,364</u>

Note: Government subsidies of HK\$15,597,000 (2020: HK\$68,624,000) were granted during the six month period ended 30 September 2021 by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank overdrafts and bank loans	2,077	1,973
Interest on lease liabilities	8,459	15,247
	<u>10,536</u>	<u>17,220</u>

7. INCOME TAX EXPENSE

	For the six months ended 30	
	September	2020
	2021	
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
– Current tax	–	569
PRC Enterprise Income Tax (“EIT”):		
– Current tax	<u>60</u>	<u>–</u>
Deferred tax	<u>–</u>	<u>–</u>
	<u>60</u>	<u>569</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

For the six months ended 30 September 2021 and 2020, Hong Kong Profit Tax is calculated under two-tier profit tax system where the first HK\$2 millions of estimated assessable profit is taxed at rate of 8.25% and remaining estimated assessable profit is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiaries to apply the two-tier profit tax rate.

The subsidiaries of the Company established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (six months ended 30 September 2020: 25%) during the current period.

8. LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30	
	September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Lease payments not included in the measurement of lease liabilities	9,354	874
Foreign exchange differences, net	(3)	(2)
Fair value losses on investment properties*	–	12,850
Impairment of items of property, plant and equipment*	–	4,499
Impairment of right-of-use assets*	–	5,937
Impairment of inventories*	2,500	–
Impairment of trade receivables*	2,687	–
Fair value losses on financial assets at fair value through profit or loss*	–	2,495
Gain on disposal of subsidiaries*	(25,411)	–
Depreciation of property, plant and equipment	29,952	27,751
Depreciation of right-of-use assets	111,026	135,332
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	240,392	177,268
Retirement benefit scheme contributions (defined contribution scheme)	8,212	6,859
	248,604	184,127

* These items were included in "Other expenses" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2020: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$2,258,000 (six months ended 30 September 2020: HK\$95,907,000) and the weighted average number of ordinary shares of 1,300,000,000 (2020: 1,300,000,000) in issue during the period.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 September 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of HK\$25,147,000 (six months ended 30 September 2020: HK\$51,251,000).

12. INVENTORIES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Food and beverages	78,324	87,690
Other operating items for restaurant operations	1,746	5,692
	80,070	93,382

13. TRADE RECEIVABLES

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Credit card receivables	11,715	2,134
Others	24,263	19,451
	<hr/>	<hr/>
	35,978	21,585
Impairment	(14,376)	(11,877)
	<hr/>	<hr/>
	21,602	9,708
	<hr/> <hr/>	<hr/> <hr/>

The Group's trading terms with its customers are mainly on cash and credit card settlement while trading terms for sale of food are on credit with credit periods ranging from 30 to 60 days (31 March 2021: 30 to 60 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Within 1 month	15,576	6,554
1 to 3 months	1,462	1,531
3 to 12 months	2,154	1,623
Over 12 months	2,410	—
	<hr/>	<hr/>
	21,602	9,708
	<hr/> <hr/>	<hr/> <hr/>

14. TRADE PAYABLES

The trade payables are non-interest-bearing and generally have payment terms of 45 to 90 days (31 March 2021: 45 to 90 days). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Within 1 month	56,052	41,225
1 to 3 months	8,579	7,059
3 to 12 months	1,836	1,190
Over 12 months	1,550	2,237
	<u>68,017</u>	<u>51,711</u>

15. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the condensed consolidated financial statements were as follows:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Bank guarantees given in lieu of rental and utility deposits	<u>19,318</u>	<u>29,088</u>

16. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Contracted, but not provided for: Property, plant and equipment	<u>16,500</u>	<u>684</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2021, the economy of Hong Kong has gradually emerged from the novel coronavirus (the “COVID-19”) pandemic and is currently on the road to recovery. According to figures from the Census and Statistics Department, the gross domestic product (GDP) of Hong Kong for the third quarter increased by 5.4% year-on-year in real terms and increased by 0.1% quarter-on-quarter after seasonal adjustment. Among which, the private consumption expenditure increased by 7% year-on-year in real terms, representing a slight decrease as compared with the second quarter. Over the same period, the value of total receipts of the restaurant sector was provisionally estimated to increase by 43.8% year-on-year, and the total receipts of Chinese restaurants increased by 61.6% year-on-year in value.

As the epidemic situation in Hong Kong remains stable, the government has relaxed the restrictions on the modes of operation of catering premises under Vaccine Bubble as set out in the Prevention and Control of Diseases (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F), enabling the industry to resume a rebound. However, as the global supply chain is affected by factors such as city lockdowns and suspension of work in some regions, which has driven up the price of shipping containers and the costs of ingredients, the catering industry is put under operating pressure. Despite the fact that the market uncertainties cannot be fully resolved in the short term, the Group is still full of confidence towards the prospects of the industry and continues to adopt a prudent yet optimistic attitude in response to the challenges.

For the PRC market, according to the statistics from the National Bureau of Statistics of China and the “Annual Report on Catering Industry of China in 2021 (《2021中國餐飲業年度報告》)” released by the China Hotel Association, in 2020, the catering receipts in the PRC were RMB4 trillion, representing a year-on-year decrease of 16.6%, of which, Guangdong Province recorded a revenue of RMB0.41 trillion, ranking top in the catering receipts leaderboard among provinces, cities and regions in China. From January to September 2021, the catering receipts amounted to RMB3.3 trillion, representing a year-on-year increase of 29.8%. Benefited from various promotion and business preferential policies implemented in China to promote the rapid recovery of the industry, the catering sector is optimistic about its future development.

Business Review

During the Reporting Period, the catering industry in Hong Kong was affected by the prohibition of group gatherings, which limited the number of restaurant patrons. The Group continued to adopt a strategy of full-time and diversified catering ecosphere to offer a comprehensive dining experience to the mass market. Meanwhile, the Group expanded its diversified business by launching the “Asian Catering Line (亞洲餐飲線)” brand with a variety of cuisines and an online shopping platform under Fulum (富臨), so as to cater for the mass livelihood market and provide customers with new excitement.

As at 30 September 2021, the Group operated a total of 83 restaurants in Hong Kong, including 18 restaurants under the “Fulum (富臨)” main brand, 8 restaurants under the “Sportful Garden (陶源)” main brand, 57 restaurants under the “Asian Catering Line (亞洲餐飲線)” main line as well as 9 supermarkets, and 4 restaurants in the Mainland China.

During the Reporting Period, the Group offered customers with a traditional Chinese dining experience under the “Fulum (富臨)” main brand and “Sportful Garden (陶源)” main brand. The “Fulum (富臨)” main brand offers a wide variety of Cantonese delicacies to mass market customers, including seafood, dim sum and hotpot, as well as luxurious venues with unique decorations and sophisticated catering experience for wedding banquets and events. Restaurants under the “Sportful Garden (陶源)” main brand focus on mid-to-high-end Cantonese cuisine and attract customers who put a high value on quality with luxurious decorations. At the same time, the Group regularly introduced festive seasonal set menus and promotions for online food ordering, including various Mid-Autumn Festival meal sets for reunion feast, the Chinese Valentine’s Day meal set for two and all-you-can-eat hairy crabs package, and launched the consumption voucher dinner offers to attract customers.

In recent years, the Group also proactively expanded the restaurants under the “Asian Catering Line (亞洲餐飲線)” main line with its commitment to establishing a full-time catering ecosphere. By providing diversified restaurant brands to the public, customers can enjoy delicacies at various types of the Group’s restaurants at any time, which can promote the consumption upgrade of existing customers and form a new growth point by attracting more young people. Restaurants under the “Asian Catering Line (亞洲餐飲線)” main line include Korean barbecue restaurants embedding authentic and traditional culture of Korean local cuisines, classy and casual cafes, restaurants specializing in high-quality Japanese Wagyu beef hotpots and food courts. In the future, the Group will strive to explore a variety of high-quality cuisines, aiming to satisfy customers’ needs and broaden its customer base at the same time.

During the pandemic, customers spend more time on home cooking and dining, leading to the persistent market demand for quality ingredients. In addition to operating supermarkets in residential areas to provide mass and quality products for customers, such as high-quality frozen meat, seafood straight from the source, fresh vegetables and fruits, grains and oil, the Group also provided online shopping services to enable customers to buy fresh ingredients anytime and anywhere during the period. The Group will continue to open more supermarkets in residential areas while optimizing its product portfolio to cater for the customers’ needs.

In terms of pandemic prevention and control measures, the Group actively followed the government’s containment policies. In addition to strictly implementing relevant measures in its restaurants, the Group also arranged regular testing for employees and encouraged employees to get vaccinated to safeguard the health of all employees and diners.

For the PRC market, the Group operated a total of four “Fulum Palace (富臨皇宮)” restaurants, located in the densely-populated residential areas in Yuexiu District of Guangzhou, Baiyun District of Guangzhou, Zhuhai and Shenzhen respectively. With the European palace-style interior design,

these restaurants can meet the residents' demand for Chinese cuisine and wedding venues in the regions. Believing in the strong recovery and the enormous consumption power in the Mainland China market, the Group will open more new businesses in various areas in Mainland China as and when appropriate in the future.

The following table sets forth the number of restaurants by business as of the dates indicated.

	As at 30 September	
	2021	2020
Number of restaurants		
“Fulum (富臨)” main brand	22	24
“Sportful Garden (陶源)” main brand	8	8
“Asian Catering Line (亞洲餐飲線)” main line	57	48
	87	80

Financial Review

Revenue

The total revenue of the Group increased by approximately 36.6%, or approximately HK\$207.0 million, from approximately HK\$565.6 million for the Previous Reporting Period to approximately HK\$772.6 million for the Reporting Period. The increase was mainly due to Hong Kong's gradual emergence from the COVID-19 pandemic during the Reporting Period. The Group's businesses are mainly restaurant operations, and sales of food and other operating items.

Revenue from restaurant operations increased by approximately 39.6%, or approximately HK\$209.3 million, from approximately HK\$529.1 million for the Previous Reporting Period to approximately HK\$738.4 million for the Reporting Period. The following table sets forth the breakdown of our revenue and percentage change from restaurant operations by line of business for the periods indicated.

	Six months ended 30 September		
	2021	2020	% Change
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Restaurant operations			
“Fulum (富臨)” main brand	334,844	311,848	7.4
“Sportful Garden (陶源)” main brand	94,237	46,079	104.5
“Asian Catering Line (亞洲餐飲線)” main line	309,306	171,175	80.7

Revenue from sales of food and other operating items decreased by approximately 6.3%, or approximately HK\$2.3 million from approximately HK\$36.5 million for the Previous Reporting Period to approximately HK\$34.2 million for the Reporting Period.

Other Income and Gains, Net

Other income and gains, net decreased by approximately 58.2%, or approximately HK\$47.4 million from approximately HK\$81.4 million for the Previous Reporting Period to approximately HK\$34.0 million for the Reporting Period. The decrease was mainly due to government subsidies decreased by approximately 77.3%, or approximately HK\$53 million from approximately HK\$68.6 million for the Previous Reporting Period to approximately HK\$15.6 million for the Reporting Period.

Cost of Inventories Sold

The cost of inventories sold by the Group increased by approximately 42.0%, or approximately HK\$79.2 million from approximately HK\$188.5 million for the Previous Reporting Period to approximately HK\$267.7 million for the Reporting Period. The increase was mainly due to the increase in revenue during the Reporting Period.

Gross Profit

Gross profit (gross profit equals revenue minus cost of inventories sold) increased by approximately 33.9%, or approximately HK\$127.8 million from approximately HK\$377.1 million for the Previous Reporting Period to approximately HK\$504.9 million for the Reporting Period. The increase was mainly due to the increase in revenue during the Reporting Period.

Gross Profit Margin

The gross profit margin (gross profit margin equals gross profit divided by revenue multiplied by 100%) of the Group for the Reporting Period and the Previous Reporting Period were approximately 65.4% and 66.7%, respectively. The decrease was mainly due to the increase in the cost of food and beverages used in the operation during the Reporting Period.

Staff Costs

The staff costs for the Reporting Period and the Previous Reporting Period were approximately HK\$248.6 million and HK\$184.1 million, respectively, representing approximately 32.2% and 32.6% of the respective periods' revenues. The increase in staff costs was mainly because more frontline staffs were employed to cope with the recovery of the restaurant's business during the Reporting Period.

Property Rentals and Related Expenses

The property rentals and related expenses increased by approximately 13.7%, or approximately HK\$4.3 million, from approximately HK\$31.4 million for the Previous Reporting Period to approximately HK\$35.7 million for the Reporting Period. The increase was mainly due to the increase of variable lease payment in the Reporting Period.

Depreciation expenses

Depreciation expenses decreased by approximately 13.5%, or approximately HK\$22.1 million, from approximately HK\$163.1 million for the Previous Reporting Period to approximately HK\$141.0 million for the Reporting Period. The decrease was primarily due to depreciation expenses on right-of-use assets decreased by approximately 18%, or approximately HK\$24.3 million, from approximately HK\$135.3 million for the Previous Reporting Period to approximately HK\$111.0 million for the Report Period. The decrease was due to impairment was provided for right-of-use assets in last financial year.

Other Expenses

Other expenses decreased by approximately 47.7%, or approximately HK\$54.8 million, from approximately HK\$114.9 million for the Previous Reporting Period to approximately HK\$60.1 million for the Reporting Period. The decrease was mainly due to gain on disposal of subsidiaries of HK\$25.4 million was recorded in the Reporting Period.

Finance Costs

The finance costs amounted to approximately HK\$10.5 million for the Reporting Period and approximately HK\$17.2 million for the Previous Reporting Period. The decrease in finance costs was primarily due to less interest on lease liabilities was incurred in the Reporting Period as a result of repayment of lease liabilities.

Loss attributable to Owners of the Company

As a result of the factors discussed above, the loss attributable to owners of the Company decreased by approximately 97.6%, or approximately HK\$93.6 million, from loss of approximately HK\$95.9 million for the Previous Reporting Period to loss of approximately HK\$2.3 million for the Reporting Period.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong. The Group had cash and cash equivalent of approximately HK\$144.0 million as at 30 September 2021 (31 March 2021: approximately HK\$145.1 million). The Group had cash and bank balances which were mostly held in Hong Kong dollar and Renminbi. As at 30 September 2021, the Group's outstanding bank borrowings were approximately HK\$195.8 million (31 March 2021: HK\$177.8 million), while total assets were approximately HK\$1,086.7 million (31 March 2021: HK\$1,206.1 million).

As at 30 September 2021, the Group's current assets were kept at approximately HK\$318.6 million (31 March 2021: approximately HK\$379.5 million) whilst current liabilities were approximately HK\$726.0 million (31 March 2021: approximately HK\$736.6 million). The decrease in current liabilities was mainly due to repayment of current lease liabilities in the Reporting Period. The Directors consider that the current working capital level is conservatively sufficient to meet the upcoming operating needs.

The gearing ratio, calculated by dividing the interest-bearing bank borrowings by total equity attributable to owners of the Company, was equal to approximately 162.9% at 30 September 2021 (31 March 2021: approximately 145.7%). The increase was mainly due to the increase in interest-bearing bank borrowings and the decrease in the total equity attributable to owners of the Company.

Pledge of assets

As at 30 September 2021, the Group pledged its property, plant and equipment of approximately HK\$38.3 million and right-of-use assets of approximately HK\$135.8 million to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 September 2021, the Group had contingent liabilities not provided for in the condensed consolidated financial statements in the amount of approximately HK\$19.3 million in relation to bank guarantees given in lien of rental and utility deposits (31 March 2021: approximately HK\$29.1 million).

Prospects and Outlook

As the consumer confidence in Hong Kong has improved with the gradual economic recovery, and the continued stability of the pandemic has created conditions for reopening the borders between Hong Kong and China, it is believed that it will help the economic activities in Hong Kong to recover to pre-pandemic levels. The Group is full of confidence in the long-term prospects of the catering market in both Hong Kong and China. In the future, the Group will prudently expand the “Asian Catering Line (亞洲餐飲線)” main line, develop a variety of excellent small-scale catering services for the mass market and actively seek supreme and unique catering brands outside Hong Kong, in order to bring a brand new dining experience for customers. In addition, the Group will continue to develop the online shopping platform for Fulum (富臨) by putting more marketing and promotional efforts and providing delivery promotion packages to attract more customers. In terms of pandemic prevention and control measures, the Group remains steadfast in implementing strict anti-epidemic measures on its restaurants, aiming to tide over the challenging period of the pandemic with Hong Kong citizens.

Dividend

The Board has resolved not to declare the payment of any interim dividend for the Reporting Period (corresponding period in 2020: Nil).

Corporate Governance Code

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). For the Reporting Period, save for the deviation from code provision A.2.1 of the CG Code, the Board considered that the Company has complied with the code provisions set out in the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman (the “**Chairman**”) and the chief executive officer (the “**Chief Executive Officer**”) of the Company should be separated and should not be performed by the same individual. At the beginning of the Reporting Period, the Company did not have a separate Chairman and Chief Executive Officer, with Mr. Yeung Wai (楊維) performing these two roles, as Mr. Yeung Wai has in-depth experience and knowledge of the Group and its businesses. In order to further enhance the corporate governance of the Group, on 13 May 2021, the Company has appointed Mr. Wu Kam On Keith as the Chief Executive Officer while Mr. Yeung Wai has remained as the Chairman. Accordingly, the Company has complied with code provision A.2.1 of the CG Code since 13 May 2021.

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of the Company's shareholders, and to enhance corporate value and accountability. These objectives can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal controls, appropriate risk assessment procedures and transparency to all the Company's shareholders.

Model Code of Securities Transactions by Directors

The Company has adopted a code of conduct (the “**Code of Conduct**”) regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Based on responses of specific enquiries made with the Directors, all of the Directors have confirmed that they have complied with required standards as set out in the Model Code and Code of Conduct throughout the Reporting Period.

Purchases, Sale or Redemption of Listed Securities

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

Events after the Reporting Period

The Board is not aware of any material event affecting the Group since the end of the Reporting period and up to the date of this announcement.

Audit Committee

The Company established the Audit Committee on 28 October 2014 with the revised written terms of reference adopted on 28 December 2018. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting and to oversee the audit process, risk management system and internal control procedures of the Group. Mr. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon, all being independent non-executive Directors, are members of the Audit Committee with Mr. Wang Wai Leung Joseph acting as the chairman.

The Group's unaudited condensed consolidated interim financial statements for the Reporting Period have not been audited, but have been reviewed by the Audit Committee. Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited condensed consolidated interim financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the six months ended 30 September 2021.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the Company's website (www.fulumgroup.com) and the Stock Exchange's website (www.hkexnews.hk). The interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

Appreciation

The Board would like to thank the management and the staff of the Group for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditor for their support to the Group throughout the Reporting Period.

By order of the Board of
Fulum Group Holdings Limited
YEUNG WAI
Chairman and Executive Director

Hong Kong, 26 November 2021

As at the date of this announcement, the Board comprises Mr. Yeung Wai (Chairman), Mr. Wu Kam On Keith (Vice Chairman and CEO), Mr. Yeung Yun Chuen, Mr. Yeung Yun Kei, Mr. Leung Siu Sun and Mr. Yeung Ho Wang as executive Directors; and Mr. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon as independent non-executive Directors.