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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

HIGHLIGHTS

- Revenue was approximately HK\$1,450.1 million (2021: approximately HK\$1,172.7 million), representing an increase of approximately 23.7%
- Gross profit margin¹ was at approximately 64.5% (2021: approximately 67.1%), representing a decrease of approximately 2.6 percentage point
- Earnings before interest expense, tax, depreciation and amortisation were approximately HK\$263.5 million (2021: approximately HK\$231.1 million (restated))
- Loss for the year attributable to owners of the Company was approximately HK\$49.2 million (2021: approximately HK\$122.2 million (restated))
- Basic loss per share² was approximately HK3.78 cents (2021: basic loss per share of approximately HK9.40 cents (restated))
- The Board does not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil)

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 year attributable to owners of the Company of approximately HK\$49,169,000 (2021: HK\$122,192,000 (restated)) and 1,300,000,000 (2021: 1,300,000,000) ordinary shares in issue during the year.

ANNUAL 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 consolidated results of the Group for the year ended 31 March 2022, together with comparative figures for the year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Revenue	5	1,450,074	1,172,682
Other income and gains, net	7	112,050	170,527
Cost of inventories sold		(514,641)	(385,932)
Staff costs		(479,727)	(388,778)
Property rentals and related expenses		(60,233)	(68,959)
Depreciation of right-of-use assets		(229,467)	(265,659)
Depreciation of property, plant and equipment		(61,780)	(61,234)
Fuel and utility expenses		(87,991)	(85,825)
Other expenses		(141,493)	(126,180)
Share of loss in a joint venture		(3)	–
Losses from impairment/write-off of non-financial assets		(14,049)	(52,254)
Losses from impairment/write-off of financial assets		(506)	(4,222)
Finance costs	8	(20,669)	(26,071)
Loss before tax		(48,435)	(121,905)
Income tax expense	9	(734)	(287)
Loss for the year attributable to owners of the Company	10	(49,169)	(122,192)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		918	3,390
		918	3,390
Total comprehensive loss for the year attributable to owners of the Company		(48,251)	(118,802)
Loss per share			
– <i>Basic and diluted (HK\$ cent)</i>	12	(3.78)	(9.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Non-current assets			
Property, plant and equipment		176,157	169,988
Right-of-use assets		466,590	601,877
Deposits and other receivables		71,533	54,726
		<u>714,280</u>	<u>826,591</u>
Current assets			
Inventories		77,878	93,382
Trade receivables	<i>13</i>	10,788	9,708
Prepayments, deposits and other receivables		58,900	119,138
Amount due from a joint venture		2,763	–
Tax recoverable		2,769	12,194
Cash and cash equivalents		128,571	145,074
		<u>281,669</u>	<u>379,496</u>
Current liabilities			
Trade payables	<i>14</i>	58,234	51,711
Other payables, accruals and deferred income		103,680	126,714
Interest-bearing bank borrowings		239,996	177,758
Lease liabilities		270,834	320,320
Provision		8,911	12,205
Tax payable		1,974	1,780
		<u>683,629</u>	<u>690,488</u>
Net current liabilities		<u>(401,960)</u>	<u>(310,992)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>312,320</u>	<u>515,599</u>

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000 (Restated)
Non-current liabilities			
Accruals and deferred income		3,656	11,981
Lease liabilities		180,616	326,153
Provision		5,891	8,803
Deferred tax liabilities		470	570
		<u>190,633</u>	<u>347,507</u>
NET ASSETS		<u>121,687</u>	<u>168,092</u>
Capital and reserves			
Share capital	<i>15</i>	1,300	1,300
Reserves		120,387	166,792
TOTAL EQUITY		<u>121,687</u>	<u>168,092</u>

NOTES

1. GENERAL INFORMATION

Fulum Group Holdings Limited 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 are 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 (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 November 2014 (the "Listing Date") (the "Listing").

The consolidated financial statements are presented in Hong Kong dollars ("HK\$") which is also the functional currency of the Company.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$49,169,000 for the year ended 31 March 2022 and as at 31 March 2022, the Group had net current liabilities of approximately HK\$401,960,000. 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.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that (i) the Group will be able to raise fund to meet a level sufficient to finance the working capital requirements of the Group; (ii) the Group is negotiating with the landlords of the Group's leased properties for rent concessions; and (iii) the Group is actively implementing cost-control measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (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 (the “HKFRS”); Hong Kong Accounting Standards (the “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 financial statements and amounts reported for the current year 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 financial statements of the Group.

4. PRIOR YEAR ADJUSTMENT

The Group disposed of its entire interests in certain subsidiaries during the year ended 31 March 2021 but continued to recognise the lease liabilities of the disposed subsidiaries as the liabilities of the Group. The directors of the Company re-assessed the obligation of the lease liabilities of the disposed subsidiaries based on latest information obtained during the year ended 31 March 2022. As a result, adjustments have been made to the gain on disposal of subsidiaries of approximately HK\$46,113,000 and the corresponding liabilities in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021 and in the consolidated statement of financial position for the year ended 31 March 2021, respectively.

Consolidated statement of financial position as at 31 March 2021

	As previously reported <i>HK\$’000</i>	Prior period adjustments <i>HK\$’000</i>	As restated <i>HK\$’000</i>
Other payables, accruals and deferred income	172,827	(46,113)	126,714
Accumulated losses	(442,851)	46,113	(396,738)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021

	As previously reported <i>HK\$’000</i>	Prior period adjustments <i>HK\$’000</i>	As restated <i>HK\$’000</i>
Other expenses	(172,293)	46,113	(126,180)
Loss for the year attributable to owners of the Company	(168,305)	46,113	(122,192)
Total comprehensive loss for the year attributable to owners of the Company	(164,915)	46,113	(118,802)
Loss per share (Basic and diluted (HK\$ cent))	(12.95)	3.55	(9.40)

5. REVENUE

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Restaurant operations	1,361,735	1,099,974
Sale of food and other operating items	<u>88,339</u>	<u>72,708</u>
Total revenue from contracts with customers and recognised at a point in time	<u><u>1,450,074</u></u>	<u><u>1,172,682</u></u>

Disaggregation of revenue from contracts with customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Geographical markets		
Hong Kong	1,356,509	1,060,523
PRC	<u>93,565</u>	<u>112,159</u>
	<u><u>1,450,074</u></u>	<u><u>1,172,682</u></u>

Information about the Group's performance obligations is summarised below:

Restaurant operations

The performance obligation is satisfied when the customer obtains control of the promised goods, being the point in time when the customer purchases the goods at the restaurants. Payment of the transaction price is due immediately at the point when the customer purchases the goods.

Sale of food and other operating items

The performance obligation is satisfied when the customer obtains control of the promised goods, being the point in time when the customer purchases the goods at the shops or upon delivery of the goods. Payment is generally due at the point when the customer purchases the goods at shops or within 30 to 60 days from delivery.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors.

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 resource 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.

Information about geographical areas

The following tables present certain non-current asset information, by geographical areas.

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Hong Kong	586,206	707,667
PRC	56,541	64,198
	<u>642,747</u>	<u>771,865</u>

The non-current asset information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

Information about major customers

During the year ended 31 March 2022 and 2021, none of the Group’s individual customer contributed more than 10% to the total revenue of the Group.

7. OTHER INCOME AND GAINS, NET

	<i>Note</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Interest income		70	290
Licensing income		655	935
Food court income		36,399	6,430
Sponsorship income		2,477	3,502
Government subsidies	(1)	29,622	128,027
Rent concessions related to COVID-19	(2)	20,201	23,303
Gain on lease termination		9,748	3,395
Overprovision of reinstatement liabilities		6,137	1,623
Others		6,741	3,022
		<u>112,050</u>	<u>170,527</u>

Note:

- (1) Government subsidies of HK\$29,622,000 (2021: HK\$128,027,000) were granted during the year ended 31 March 2022 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.
- (2) The Group has applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on bank overdrafts and bank loans	4,603	4,081
Interest on lease liabilities	16,066	21,990
	<u>20,669</u>	<u>26,071</u>

9. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Hong Kong Profits Tax:		
– Current tax	773	–
– Over provision in prior years	–	(279)
PRC Enterprise Income Tax (“EIT”):		
– Current tax	61	566
Deferred tax:	(100)	–
	<u>734</u>	<u>287</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2021: 25%) during the year.

10. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's loss for the year is stated after charging/(crediting) the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Auditor's remuneration	2,300	2,656
Cost of inventories sold	514,641	385,932
Expenses related to short-term leases	3,634	10,442
Expenses related to variable lease payments not included in lease liabilities	3,807	913
Fair value losses on investment properties	–	12,850
Fair value losses/(gain), net-financial assets at fair value through profit or loss	400	(11,386)
Gain on disposal of subsidiaries included in other expenses	(25,411)	(51,908)
Impairment of items of property, plant and equipment	5,100	15,617
Write-off of items of property, plant and equipment	458	1,992
Impairment of right-of-use assets	8,491	30,032
Write-off of right-of-use assets	–	4,613
Impairment of trade receivables	506	–
Write-off of other receivables	–	4,222
Salaries, bonuses and other allowances	463,709	375,039
Retirement benefit scheme contributions (defined contribution schemes)	16,018	13,739
Total staff costs	<u>479,727</u>	<u>388,778</u>

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 March 2022 and 2021.

12. 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 year attributable to owners of the Company of approximately HK\$49,169,000 (2021 (restated): HK\$122,192,000) and the weighted average number of ordinary shares of 1,300,000,000 (2021: 1,300,000,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 March 2022.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 March 2021.

13. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Credit card receivables	1,087	2,134
Others	<u>21,896</u>	<u>19,451</u>
	22,983	21,585
Impairment	<u>(12,195)</u>	<u>(11,877)</u>
	<u><u>10,788</u></u>	<u><u>9,708</u></u>

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 (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 enhancement 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 loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	5,635	6,554
1 to 3 months	2,852	1,531
3 to 12 months	1,938	1,623
Over 12 months	<u>363</u>	<u>–</u>
	<u><u>10,788</u></u>	<u><u>9,708</u></u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At beginning of year	11,877	11,877
Impairment losses	506	–
Write-off	<u>(188)</u>	<u>–</u>
At end of year	<u><u>12,195</u></u>	<u><u>11,877</u></u>

14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	22,003	41,225
1 to 3 months	30,023	7,059
3 to 12 months	2,871	1,190
Over 12 months	3,337	2,237
	<u>58,234</u>	<u>51,711</u>

The trade payables are non-interest-bearing and generally have payment terms of 45 to 90 days (2021: 45 to 90 days).

15. SHARE CAPITAL

	Number of shares	Amount equivalent to share capital <i>HK\$'000</i>
Authorised: Shares of the Company with nominal value of HK\$0.001 each At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>2,000</u>
Issued and fully paid: At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>1,300,000,000</u>	<u>1,300</u>

16. CONTINGENT LIABILITIES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank guarantees given in lieu of rental and utility deposits	<u>17,770</u>	<u>29,088</u>

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$49,169,000 for the year ended 31 March 2022 and as at 31 March 2022 the Group had net current liabilities of HK\$401,960,000. This condition indicates a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The outbreak of the novel coronavirus (“COVID-19”) pandemic in late 2019 continued to ravage the world. Although the local pandemic situation had been stabilized for a while, the outbreak of the Omicron variant in Hong Kong at the beginning of 2022, coupled with drastic changes in the global political and economic situation, and geopolitical tensions, have had an impact on the deployment of the global economy, trade and industrial chain. In particular, tense supply chains in the global industry, city lockdown and shutdown in some regions and other factors have led to shortages of raw materials, increasing the cost of ingredients and putting pressure on the operation of the catering industry. In the face of the severe pandemic, the Hong Kong Government renewed a series of stringent measures to prevent and combat the pandemic, including vaccine pass, restriction-testing declaration operation and compulsory testing operation, shortening business hours of restaurants, limiting the number of customers at the same table and the ratio of the number of customers to the seating capacity, etc.. These measures caused a detrimental effect on consumer sentiment, which posed a huge challenge to the catering market.

According to the statistic from the Census and Statistics Department of Hong Kong, the gross domestic product (GDP) of Hong Kong throughout 2021 increased by approximately 6.4% year-on-year in real terms as compared with 2020. In terms of quarterly growth trend, the year-on-year growth rate for each quarter of 2021 narrowed from approximately 8% in the first quarter to approximately 4.8% in the fourth quarter. According to the forecast, GDP declined by approximately 4% in real terms in the first quarter of 2022 as compared with the corresponding period of last year, ending a four-quarter trend of year-on-year growth, and there was a quarter-on-quarter decrease of approximately 2.9% after seasonal adjustment. This revealed that the anti-pandemic measures in response to the fifth wave of the pandemic in Hong Kong dampened economic activities and economic sentiment, causing signs of economic depression in Hong Kong again. Over the same period, the value of total receipts in the restaurant sector was provisionally estimated at HK\$15.2 billion, representing a year-on-year decrease of approximately 23.1% and a quarter-on-quarter decrease of approximately 40.2% after seasonal adjustments; among which the value of total receipts of Chinese restaurants had decreased by approximately 33.5%. The figures released by the government indicated that the Hong Kong economy and the catering sector deteriorated sharply in the first quarter of 2022. However, the Group believes that the easing of the local pandemic, the gradual relaxation of social distancing measures and the Government’s Consumption Voucher Scheme will help the catering industry get back on track.

The stringent anti-pandemic measures have significantly reduced the number of people across the city, especially the number of customers in the catering industry has been forced down due to the slump in the number of inbound tourists. According to the monthly visitor statistics released by the Hong Kong Tourism Board, the number of visitors to Hong Kong throughout 2021 dropped by 97.4% as compared with 2020, and the first quarter of 2022 recorded a decrease of 30.5% as compared with the corresponding period in 2021.

For the PRC market, according to the “2021 China Chain Catering Industry Report” released by the China Chain Store & Franchise Association, the PRC catering market continued to grow and the market size increased from RMB2.9 trillion in 2014 to RMB4.7 trillion in 2019, with a compound annual growth rate of 10.1%. In light of the pandemic, the market size of the catering sector decreased to RMB4.0 trillion in 2020 and is expected to recover to RMB4.7 trillion with the healthy growth of China’s catering market and the expected pandemic easing, and the market size is expected to reach RMB6.6 trillion by 2024. In particular, Chinese food accounted for 79.4% of China’s catering market, more than the market for Western food and other cuisines. The Group believes that consumption is an important engine of economic growth in Mainland China, and catering will be the fastest industry to reflect consumer demand, and will be an integral part of promoting the internal circulation of the economy.

Business Review

During the financial year under review, despite the unstable COVID-19 pandemic, the local pandemic situation had stabilised, and market sentiment began to recover due to the Consumption Voucher Scheme and the festive mood in the second half of 2021. At the beginning of 2022, the outbreak of the Omicron variant posed a huge challenge to the catering industry with the government’s anti-pandemic measures. Given the challenging business environment, the Group continued to adopt a brand strategy of full-time catering to cope with the challenges and extend its business coverage to different time slots throughout the day, allowing customers to enjoy meals in a wide range of restaurants under the Group at any time. In terms of pandemic prevention and control measures, the Group actively follows the government’s containment measures, strengthens the disinfection and cleaning of the restaurant environment and utensils, arranges regular testing for employees, and strives to protect the health of all employees and diners.

During the pandemic, the Group has expanded its catering brands in residential areas in a moderate and prudent manner to cater to the diversified local catering needs and enhance customers’ dining experience in different time slots. As of 31 March 2022, the Group operated a total of 91 restaurants in Hong Kong, including 16 restaurants under the “Fulum (富臨)” main brand, 8 restaurants under the “Sportful Garden (陶源)” main brand, 67 restaurants under the “Asian Catering Line (亞洲餐飲線)” main line as well as 9 supermarkets, and 4 restaurants in Mainland China.

During the financial year under review, the Group offered customers 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. During the pandemic, people tend to cook at home or purchase takeaway more often instead of dining out. The Group has adjusted its business strategy in a timely manner and actively launched a variety of takeaway and anti-epidemic set meal offers, and continued to develop an online shopping platform under Fulum (富臨) to cater to the

tastes and needs of the market by regularly launching selected set meals for self-pickup delivery, BBQ assortment and dishes for self-pickup delivery to attract customers both online and offline so that people can still enjoy quality dishes during the outbreak.

On the other hand, the Group continued to expand the restaurants under the “Asian Catering Line (亞洲餐飲線)” main line with its commitment to establishing a full-time catering ecosphere to cater to the diverse local dining needs and enhance the dining experience of customers at different time slots. In recent years, local consumers’ demand for catering is no longer limited to traditional Cantonese cuisine, and the need for new cuisine has increased significantly. Restaurants under the “Asian Catering Line (亞洲餐飲線)” main line provide consumers with Korean barbecue restaurants embedding authentic and traditional culture of local Korean cuisines, classy and casual cafes and food courts. The Group will continue to explore high-quality cuisines worldwide to satisfy customers’ needs and broaden its customer base.

As the COVID-19 outbreak continues to recur and people stay home to fight against the pandemic, the demand for takeaway has increased sharply. During the period under review, the Group has added several sales channels, including its own online shopping platform and cooperation with third-party takeaway platforms, to enhance the takeaway services of its various brands of restaurants so that customers can enjoy different cuisines anytime and anywhere. The Group will actively improve and develop new sales channels to meet customers’ needs.

For the PRC market, the Group operated a total of 4 “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 region. The Group maintains a prudent and optimistic attitude towards the post-epidemic catering retail market in Mainland China and will develop new businesses in various areas in Mainland China as and when appropriate in the future.

During the financial year under review, the catering market in Hong Kong was weak, and restaurant rentals put pressure on the catering industry. The Group continued to negotiate with landlords and successfully secured different levels of rent concessions to reduce expenses in the weak market. The Group would like to express its sincere gratitude to these landlords for their support and understanding.

Financial review

During the year under review, the Group's revenue increased by approximately 23.7% to approximately HK\$1,450.1 million (2021: approximately HK\$1,172.7 million) from last year.

The following table sets forth the breakdown of the Group's revenue and percentage change by line of business for the financial years indicated:

	2022	2021	% Change
	HK\$'000	HK\$'000	
Restaurant operations			
“Fulum (富臨)” main brand	625,750	564,467	10.9
“Sportful Garden (陶源)” main brand	179,914	112,723	59.6
“Asia Catering Line (亞洲餐飲線)” main line	556,071	422,784	31.5
Sale of food and other operating items	88,339	72,708	21.5

During the year under review, the Group's gross profit margin decreased to 64.5% (2021: approximately 67.1%). The loss attributable to owners of the Company decreased by approximately HK\$73.0 million, from a loss of approximately HK\$122.2 million (restated) for the year ended 31 March 2021 to a loss of approximately HK\$49.2 million for the year ended 31 March 2022.

Prospects and Outlook

Looking forward, the Group is full of confidence in the long-term prospects of the catering market in both Hong Kong and the PRC. With the gradual easing of the local outbreak, the relaxation of social distance measures by the government, and the introduction of a new round of Consumption Voucher Scheme, consumer sentiment will be boosted, and we expect Hong Kong's economy and the catering market will gradually recover. The Group will adopt a prudent and optimistic attitude to adjust the menu mix and brand structure in a timely manner and expand the “Asian Catering Line (亞洲餐飲線)” main line to bring diversified cuisines and new dining experiences to the local catering market, with a view to meeting the various catering needs of the market and building the Group into a diversified catering kingdom. In terms of the PRC market, the Group is convinced that the PRC catering market is enormous and will grow significantly in the long run. The Group will continue to monitor the changes in the PRC market and seek to increase the number of outlets in the PRC as and when appropriate.

Financial resources and liquidity

As at 31 March 2022, the Group's total assets decreased to approximately HK\$995.9 million (2021: approximately HK\$1,206.1 million). As at 31 March 2022, the Group recorded total equity of approximately HK\$121.7 million (2021: approximately HK\$168.1 million (restated)). The decrease in the total equity of the Group as at 31 March 2022 mainly resulted from (i) lease payments resulting in a decrease of the lease liabilities of the Group as at 31 March 2022; (ii) the depreciation and impairment of certain leased right-of-use assets; and (iii) the increase in bank borrowings of the Group.

As at 31 March 2022, the Group had approximately HK\$128.6 million in cash and bank balances available (2021: approximately HK\$145.1 million). The current ratio of the Group was approximately 0.4 (2021: approximately 0.5).

As at 31 March 2022, the Group's total borrowings amounted to approximately HK\$240.0 million (2021: approximately HK\$177.8 million), which mainly consisted of bank overdraft of approximately HK\$55.1 million, term loans in the amount of approximately HK\$169.2 million (2021: approximately HK\$162.1 million) and a revolving loan of approximately HK\$15.7 million (2021: approximately HK\$15.7 million). These borrowings were denominated in Hong Kong dollars, and the effective interest rates ranged from approximately 1.57% to 2.75% per annum.

Capital expenditure

The capital expenditure during the year under review was primarily related to expenditures on additions and renovation of property, plant and equipment and investment property for the Group's central kitchen and logistics center, new restaurants and maintenance of existing restaurants. The capital commitments were related to leasehold improvements and equipment for our restaurants.

Contingent liabilities

As at 31 March 2022, the Group had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK\$17.8 million in relation to bank guarantees given in lieu of rental and utility deposits (2021: approximately HK\$29.1 million).

Foreign currency exposure

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (to the extent that revenue or expenses are denominated in a currency that is different from the functional currency of the relevant subsidiaries of the Group). Majority of the Group's purchase during the year under review was denominated in the functional currency of the relevant subsidiaries.

The Group's assets, liabilities and transactions are mainly denominated in Hong Kong dollars. Certain of the Group's bank balances are denominated in Renminbi ("RMB") which is not freely convertible into other currencies. However, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations of the PRC, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

Human resources and remuneration policy

As at 31 March 2022, the Group had approximately 1,868 employees. The Group believes that hiring, motivating and retaining qualified employees are crucial to the Group's success as a restaurant operator. During the year under review, the Group conducted a series of standardised training and advancement programs for all the Group's staff, from serving staff, cashiers, floor managers, chefs, restaurant managers to district managers. These training programs intend to ensure that all new staff are equipped with the skills required for their positions. The Group's internal advancement programs can provide its staff with clear advancement guidelines and promote employee satisfaction. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

Indebtedness and charges on Group's assets

As at 31 March 2022, the Company had outstanding bank loans of approximately HK\$240.0 million, of which approximately HK\$113.1 million were secured, and approximately HK\$126.9 million were unsecured. As at 31 March 2022, the Company had lease liabilities recognised on the application of HKFRS 16 "Leases" of approximately HK\$451.5 million, of which approximately HK\$270.8 million were due within one year and approximately HK\$180.7 million were due after one year.

As at 31 March 2022, certain assets of the Group with a carrying amount in aggregate of HK\$172.1 million (2021: HK\$176.1 million) were pledged to secure its bank borrowings.

Material acquisition or disposal of subsidiaries or associated companies

During the year under review, there was no material acquisition or disposal of subsidiaries or associated companies of the Company.

Dividends

The Board does not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil).

Share Option Schemes

The Company has adopted a post-IPO share option scheme (the “**Share Option Scheme**”) on 28 October 2014, pursuant to which, the Directors may grant options to eligible participants to subscribe for Shares at a price determined by the Board provided that the exercise price shall not be less than whichever is the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange daily quotations sheet on the offer date; and (iii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the offer date. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and conveyed by the Board to the grantee at the time an offer is made. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 13 November 2014.

Particulars of the movement of options granted under the Share Option Scheme during the year ended 31 March 2022 are as follows:

Directors

Name	Capacity	Date of Grant	Exercise Price	Granted during the period	Exercised during the period	Outstanding as at 31 March 2022
Mr. Yeung Wai	Beneficial Owner	18 August 2021	HK\$0.2056	7,000,000	–	7,000,000
Mr. Yeung Yun Chuen	Beneficial Owner	18 August 2021	HK\$0.2056	7,000,000	–	7,000,000
Mr. Yeung Yun Kei	Beneficial Owner	18 August 2021	HK\$0.2056	7,000,000	–	7,000,000
Mr. Leung Siu Sun	Beneficial Owner	18 August 2021	HK\$0.2056	7,000,000	–	7,000,000
Mr. Wu Kam On Keith	Beneficial Owner	18 August 2021	HK\$0.2056	4,000,000	–	4,000,000
Mr. Yeung Ho Wang	Beneficial Owner	18 August 2021	HK\$0.2056	4,000,000	–	4,000,000
Mr. Ng Ngai Man Raymond	Beneficial Owner	18 August 2021	HK\$0.2056	1,360,000	–	1,360,000
Mr. Wong Wai Leung Joseph	Beneficial Owner	18 August 2021	HK\$0.2056	1,360,000	–	1,360,000
Mr. Chan Chun Bong Junbon	Beneficial Owner	18 August 2021	HK\$0.2056	1,360,000	–	1,360,000

Employees

Date of Grant	Capacity	Exercise Price	Granted during the period	Exercised during the period	Outstanding as at 31 March 2022
18 August 2021	Beneficial Owner	HK\$0.2056	63,920,000	–	63,920,000

Notes:

1. As for the share options granted on 18 August 2021 (the “**Date of Grant**”), the closing price of the shares quoted on the Stock Exchange immediately before the business day on which the options were granted i.e. 17 August 2021 was HK\$0.205. The options are exercisable in 3 tranches of 33%, 33% and 34%, respectively, at any time after the expiration of 24, 36 and 48 months, respectively, from the Date of Grant.
2. If as a result of the exercise of the share options, the public float as required under the Listing Rules cannot be maintained, then the share options may only be exercised by the grantees to the extent allowable under the Listing Rules so that after exercise of such share options, the public float requirements will not be violated.
3. No option lapsed or was cancelled during the year ended 31 March 2022.

Corporate Governance Code

The Board periodically reviews the Group’s corporate governance practices to ensure its continuous compliance with the code provisions of the corporate governance code (the “**CG Code**”) (to the extent such provisions are applicable) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Throughout the year ended 31 March 2022, save for the deviation from code provision A.2.1 (which has been renumbered as C.2.1 since 1 January 2022) 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 year, the Company did not have a separate Chairman and Chief Executive Officer and Mr. Yeung Wai (楊維) has been performing these two roles since Mr. Yeung Wai, being one of the founders of the Group, has in-depth experience and knowledge of the business and operation of the Group. 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.

As to the gender diversity required to be disclosed under the amended CG Code effective from 1 January 2022, the Board has been evaluating on appropriate plan for such diversity with reference to the relevant experiences and skills of the Board members, the Board compositions of market peers and the business development of the Group. The Board will continue to commit to maintaining a high standard of corporate governance practices to safeguard the interests of the shareholders of the Company, 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 year ended 31 March 2022 and up to the date of this announcement.

Purchases, sale or redemption of listed securities

During the year ended 31 March 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares has been held in public hands) as required under the Listing Rules during the year ended 31 March 2022 and up to the date of this announcement.

Events after the year under review

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 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.

The Audit Committee comprises all three independent non-executive Directors, namely, Mr. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon with Mr. Wong Wai Leung Joseph being the chairman of the Audit Committee. The Audit Committee has reviewed the Group’s consolidated statements for the year ended 31 March 2022. The Audit Committee was of the opinion that the preparation of such results complied with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

Scope of work of ZHONGHUI ANDA CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

Closure of register of members

The register of members of the Company will be closed from Friday, 23 September 2022 to Wednesday, 28 September 2022, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 22 September 2022.

Publication of annual results announcement and annual report

This annual results announcement is published on the Company's website (www.fulumgroup.com) and the Stock Exchange's website (www.hkexnews.hk). The annual report of the Company for the year ended 31 March 2022 containing all the information required under the Listing Rules 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.

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

Hong Kong, 29 June 2022

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.