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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 2024

HIGHLIGHTS

- Revenue was approximately HK\$854.1 million (corresponding period in 2023: approximately HK\$893.8 million), representing a decrease of approximately 4.4%
- Gross profit margin¹ was at approximately 71.7% (corresponding period in 2023: approximately 72.1%), representing a decrease of approximately 0.4 percentage point
- Loss attributable to owners of the Company was approximately HK\$40.6 million (corresponding period in 2023: Profit attributable to the owners of the Company was approximately HK\$2.1 million)
- Basic loss per share² was HK3.13 cents (corresponding period in 2023: basis earning per share HK0.16 cents)
- 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)/earning per share amounts is based on loss for the period attributable to owners of the Company of approximately HK\$40,638,000 (profit for the corresponding period in 2023: approximately HK\$2,111,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2023: 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 2024 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2023 (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 AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	<i>Notes</i>	Six months ended 30 September	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	854,119	893,832
Other income and gains, net	5	17,028	10,060
Cost of inventories sold		(241,495)	(249,367)
Staff costs	8	(306,978)	(303,987)
Property rentals and related expenses		(31,443)	(32,602)
Depreciation		(168,154)	(155,247)
Fuel and utility expenses		(48,133)	(48,871)
Other expenses		(101,569)	(96,344)
Share of loss in a joint venture		(984)	–
Finance costs	6	(12,911)	(15,316)
(LOSS)/PROFIT BEFORE TAX		(40,520)	2,158
Income tax expense	7	(118)	(57)
(LOSS)/PROFIT FOR THE PERIOD	8	(40,638)	2,101

	Six months ended 30 September	
	2024	2023
<i>Notes</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE LOSS:		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(1,958)</u>	<u>(210)</u>
	<u>(1,958)</u>	<u>(210)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(42,596)</u>	<u>1,891</u>
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	(40,638)	2,111
Non-controlling interests	<u>–</u>	<u>(10)</u>
	<u>(40,638)</u>	<u>2,101</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	(42,596)	1,901
Non-controlling interests	<u>–</u>	<u>(10)</u>
	<u>(42,596)</u>	<u>1,891</u>
(LOSS)/EARNINGS PER SHARE		
– Basic (HK cents)	<i>10</i> <u>(3.13)</u>	<u>0.16</u>
– Diluted (HK cents)	<u>(3.13)</u>	<u>0.16</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2024

		30 September 2024	31 March 2024
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	159,148	183,315
Right-of-use assets		543,509	666,942
Deposits and other receivables		52,971	52,837
Deferred tax assets		41,855	41,855
		797,483	944,949
CURRENT ASSETS			
Inventories	<i>12</i>	73,970	76,448
Trade receivables	<i>13</i>	13,795	16,877
Prepayments, deposits and other receivables		133,827	104,585
Amount due from a joint venture		13,556	9,811
Tax recoverable		–	5
Cash and cash equivalents		94,839	121,790
		329,987	329,516
CURRENT LIABILITIES			
Trade payables	<i>14</i>	80,103	54,452
Other payables, accruals and deferred income		130,447	129,470
Interest-bearing bank borrowings		273,018	281,353
Lease liabilities		246,922	261,727
Provision		3,275	3,341
Dividend payable		3,900	–
Tax payable		6,458	6,466
		744,123	736,809
NET CURRENT LIABILITIES		(414,136)	(407,293)
TOTAL ASSETS LESS CURRENT LIABILITIES		383,347	537,656

	30 September	31 March
	2024	2024
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Accruals and deferred income	1,518	1,482
Lease liabilities	223,962	335,577
Provision	6,428	7,184
	<u>231,908</u>	<u>344,243</u>
NET ASSETS	<u>151,439</u>	<u>193,413</u>
Capital and reserves		
Share capital	1,300	1,300
Reserves	152,284	194,693
	<u>153,584</u>	<u>195,993</u>
Equity attributable to owners of the Company	153,584	195,993
Non-controlling interests	(2,145)	(2,580)
	<u>151,439</u>	<u>193,413</u>
TOTAL EQUITY	<u>151,439</u>	<u>193,413</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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 2024 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 2024.

Going concern basis

As at 30 September 2024, the Group had net current liabilities of approximately HK\$414,136,000. This condition indicates 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 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 period beginning on 1 April 2024. 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, net invoiced value of food and other operating items sold and income from food court operations, after allowances for returns and trade discounts. An analysis of revenue is as follows:

	Six months ended 30 September	
	2024	2023
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Restaurant operations	796,775	838,920
Sale of food and other operating items	28,783	32,315
Food court operations	5,404	6,058
	<hr/>	<hr/>
Revenue from contracts with customers	830,962	877,293
Rental income from food court operations	23,157	16,539
	<hr/>	<hr/>
	854,119	893,832
	<hr/> <hr/>	<hr/> <hr/>

Information about Timing of Revenue Recognition

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At a point in time	825,558	872,021
Over time	5,404	5,272
	<hr/>	<hr/>
Revenue from contracts with customers	830,962	877,293
Rental income from food court operations	23,157	16,539
	<hr/>	<hr/>
	854,119	893,832
	<hr/> <hr/>	<hr/> <hr/>

Information about Geographical Areas

The following tables present revenue from external customers for the six months ended 30 September 2024 and 2023, and certain non-current assets information as at 30 September 2024 and 31 March 2024, by geographical areas.

(a) Revenue from external customers

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	826,926	854,771
Mainland China	27,193	39,061
	<hr/>	<hr/>
	854,119	893,832
	<hr/> <hr/>	<hr/> <hr/>

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

(b) *Non-current assets*

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Hong Kong	654,921	798,309
Mainland China	47,736	51,948
	<u>702,657</u>	<u>850,257</u>

The non-current assets information above is based on the locations of the assets and excludes financial assets and deferred tax 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 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
	<i>Note</i>		
Interest income on bank deposits		29	141
Interest income on rental deposits		–	52
Licensing income		233	173
Rent concessions related to COVID-19	<i>1</i>	–	50
Gain on lease modification and termination		5,571	5,868
Sponsorship income		1,002	1,028
Gain on disposal of a subsidiary		5,517	–
Others		4,676	2,748
		<u>17,028</u>	<u>10,060</u>

Note 1: 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.

6. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank overdrafts and bank loans	4,850	6,159
Interest on lease liabilities	8,061	9,157
	<u>12,911</u>	<u>15,316</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
– Current tax	118	–
– Deferred tax	–	57
	<u>118</u>	<u>57</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 2024 and 2023, Hong Kong Profit Tax is calculated under two-tier profit tax system where the first HK\$2 million 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 2023: 25%) during the current period.

8. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease payments not included in the measurement of lease liabilities	1,855	3,288
Impairment of property, plant and equipment*	782	–
Impairment of right-of-use assets*	5,545	–
Depreciation of property, plant and equipment	32,215	26,738
Depreciation of right-of-use assets	135,939	128,509
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	296,823	293,848
Share-based payments	187	518
Retirement benefit scheme contributions (defined contribution scheme)	9,968	9,621
	306,978	303,987

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

9. DIVIDENDS

The Directors do not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2023: Nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings 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\$40,638,000 (profit for the six months ended 30 September 2023: approximately HK\$2,111,000) and the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2023: 1,300,000,000) in issue during the period.

Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 September 2024.

The calculation of diluted earnings per share attributable to owners of the Company for the period ended 30 September 2023 is based on the profit for the period attributable to owners of the Company of approximately HK\$2,111,000 and the weighted average number of ordinary shares of 1,300,462,323, being the weighted average number of ordinary shares of 1,300,000,000 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 462,323 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of HK\$8,830,000 (six months ended 30 September 2023: HK\$38,618,000).

12. INVENTORIES

	30 September 2024 HK\$'000 (Unaudited)	31 March 2024 HK\$'000 (Audited)
Food and beverages	70,044	72,314
Other operating items for restaurant operations	3,926	4,134
	73,970	76,448

13. TRADE RECEIVABLES

	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Credit card receivables	6,547	3,520
Others	21,012	27,121
	27,559	30,641
Impairment	(13,764)	(13,764)
	13,795	16,877

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 2024: 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 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Within 1 month	10,191	12,899
1 to 3 months	3,604	3,620
3 to 12 months	–	358
	13,795	16,877

14. TRADE PAYABLES

The trade payables are non-interest-bearing and generally have payment terms of 45 to 90 days (31 March 2024: 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 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Within 1 month	43,695	50,431
1 to 3 months	32,154	3,208
3 to 12 months	3,950	809
Over 12 months	304	4
	<u>80,103</u>	<u>54,452</u>

15. CONTINGENT LIABILITIES

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

	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Bank guarantees given in lieu of rental and utility deposits	<u>17,982</u>	<u>19,635</u>

16. CAPITAL COMMITMENTS

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

	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Property, plant and equipment – Contracted, but not provided for	<u>–</u>	<u>3,768</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the period under review, the weak economic performance of Hong Kong and the apparent decline in the spending power of both tourists and citizens have continued to exert pressure on the local catering industry. In addition, transportation and supply chains were affected given the continuing geopolitical tension and the uncertainties ahead of the US election, with the prices of raw materials, logistics costs, food and energy remaining high, putting pressure on corporate operations.

According to the Hong Kong Census and Statistics Department, Hong Kong's economy continued to record moderate growth in the second quarter of 2024, with real GDP increasing by 3.3% year-on-year in the second quarter. However, the performance of different sectors varied, with private consumption expenditure turning to a slight decline. Consumption activities weakened in the second quarter of 2024 due to changes in the spending pattern of citizens, resulting in a 1.5% drop in private consumption expenditure in the second quarter.

The number of visitor arrivals in the third quarter of this year reached 11.43 million, representing a year-on-year growth of 9.6%. However, due to the convenient high-speed rail system and cross-border transportation, a low-cost “no overnight” travel style has become trendy among tourists from Mainland China, which had limited support for Hong Kong's tourism and catering industries. The business atmosphere of large enterprises in most industries has weakened, and people went north to spend money during weekends and holidays. These have led to a downturn in the local consumer market, especially taking a toll on the local catering industry. In the third quarter of 2024, the provisional estimate of total restaurant receipts by value was HK\$26.7 billion, representing a year-on-year decrease of 1.3%. Analysed by type of restaurant, total receipts of Chinese restaurants decreased by 7.7% and 9.8% year-on-year in value and volume, respectively, while total receipts of non-Chinese restaurants also decreased by 0.6% and 1.5% year-on-year in value and volume, respectively, indicating that the catering industry was facing various difficulties and challenges, particularly for Chinese restaurants.

Business Review

In light of the changing consumption and catering patterns of tourists and citizens in Hong Kong, the Group maintained the branding strategy of full-time catering and further increased the number of brands and categories under its “Concept Line (概念線)”, offering a wide range of cuisines and choices at different price ranges, so that customers with different spending power can cater in the Group's restaurants at different time slots throughout the day.

As at 30 September 2024, the Group operated a total of 107 restaurants in Hong Kong, including 14 restaurants under the “Fulum (富臨)” main brand, 7 restaurants under the “Sportful Garden (陶源)” main brand, 81 restaurants under the “Concept Line (概念線)” main line as well as 5 food courts, and 3 restaurants in the Mainland China.

During the Reporting Period, 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 for the mass market, including seafood, dim sum and hotpot, as well as luxurious venues with unique decorations and sophisticated catering experiences 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.

Since the dining habits and spending power of both tourists and citizens have changed, during the Reporting Period, the Group actively expanded the presence of its “Concept Line (概念線)” series by introducing a wide variety of restaurant choices and was committed to creating a full-time catering ecosphere at different price ranges to cater to the catering needs of consumers of different age groups and spending power. In recent years, local consumers’ tastes have changed. When developing new cuisines, the Group adopted the concept of “small shop model, group management”, while providing consumers with authentic Korean izakaya food and Korean barbeque restaurants with traditional culture, classy and casual cafes, authentic Thai food and fine dining restaurants, at different price points and different cuisines to cater to the needs of our customers.

In addition, the Group continued to expand its food court business by introducing different restaurant brands from different regions to bring more culinary choices to the local residents. Currently, the Group’s food courts cover residential areas such as Yuen Long, Tuen Mun, Kowloon Bay and Kai Tak. In the future, the Group will continue to look for suitable locations in various districts and open more food courts.

During the Reporting Period, the Group set up one new shop in Zhuhai, Mainland China. In the future, the Group will continue to look for suitable opportunities to promote its diversified and quality catering brands across Mainland China and other Asian regions.

Financial Review

Revenue

The total revenue of the Group decreased by approximately 4.4%, or approximately HK\$39.7 million, from approximately HK\$893.8 million for the Previous Reporting Period to approximately HK\$854.1 million for the Reporting Period. The decrease was mainly due to the weak economic performance of Hong Kong and the apparent decline in the spending power of both tourists and citizens during the Reporting Period. The Group’s businesses are mainly restaurant operations, sales of food and other operating items and foodcourt operation.

Revenue from restaurant operations decreased by approximately 5.0%, or approximately HK\$42.1 million, from approximately HK\$838.9 million for the Previous Reporting Period to approximately HK\$796.8 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		
	2024	2023	% Change
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	

Restaurant operations

“Fulum (富臨)” main brand	305,884	355,811	(14.0)
“Sportful Garden (陶源)” main brand	75,178	100,110	(24.9)
“Concept Line (概念線)” main line	415,713	382,999	8.5

Revenue from sales of food and other operating items decreased by approximately 10.8%, or approximately HK\$3.5 million from approximately HK\$32.3 million for the Previous Reporting Period to approximately HK\$28.8 million for the Reporting Period.

Revenue from food court operations increased by approximately 26.5%, or approximately HK\$6 million from approximately HK\$22.6 million for the Previous Reporting Period to approximately HK\$28.6 million for the Reporting Period. The increase was mainly due to the increase in food court operations.

Other Income and Gains, Net

Other income and gains, net increased by approximately 70%, or approximately HK\$7 million from approximately HK\$10.0 million for the Previous Reporting Period to approximately HK\$17 million for the Reporting Period. The increase was mainly due to the gain on disposal of a subsidiary during the Reporting Period.

Cost of Inventories Sold

The cost of inventories sold by the Group decreased by approximately 3.2%, or approximately HK\$7.9 million from approximately HK\$249.4 million for the Previous Reporting Period to approximately HK\$241.5 million for the Reporting Period. The decrease was mainly due to the decrease in revenue during the Reporting Period.

Gross Profit

Gross profit (gross profit equals revenue minus cost of inventories sold) decreased by approximately 4.9%, or approximately HK\$31.9 million from approximately HK\$644.5 million for the Previous Reporting Period to approximately HK\$612.6 million for the Reporting Period. The decrease was mainly due to the decrease 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 71.7% and 72.1%, respectively. The decrease was mainly due to the decrease in revenue during the Reporting Period.

Staff Costs

The staff costs for the Reporting Period and the Previous Reporting Period were approximately HK\$307.0 million and HK\$304.0 million, respectively, representing approximately 35.9% and 34.0% of the respective periods' revenues. The increase in staff costs was mainly due to the Company's effort to retain staff to cope with the competition in the labor market caused by labor shortages.

Property Rentals and Related Expenses

The property rentals and related expenses decreased by approximately 3.7%, or approximately HK\$1.2 million, from approximately HK\$32.6 million for the Previous Reporting Period to approximately HK\$31.4 million for the Reporting Period. The decrease was mainly due to the decrease in the number of restaurants and short-term leases in the Reporting Period as compared with the Previous Reporting Period.

Depreciation expenses

Depreciation expenses increased by approximately 8.4%, or approximately HK\$13.0 million, from approximately HK\$155.2 million for the Previous Reporting Period to approximately HK\$168.2 million for the Reporting Period. The increase in depreciation was mainly due to the expansion of new restaurants of the Group during the Reporting Period.

Other Expenses

Other expenses increased by approximately 5.5%, or approximately HK\$5.3 million, from approximately HK\$96.3 million for the Previous Reporting Period to approximately HK\$101.6 million for the Reporting Period. The increase was mainly due to increase in impairment of property, plant and equipment and right-of-use assets.

Finance Costs

The finance costs amounted to approximately HK\$12.9 million for the Reporting Period and approximately HK\$15.3 million for the Previous Reporting Period. The decrease in finance costs was primarily due to lower interest incurred on bank loans and lease liabilities during the Reporting Period as a result of repayment of bank loans and lease liabilities.

(Loss)/profit attributable to Owners of the Company

As a result of the factors discussed above, the Group recorded a loss attributable to owners of the Company of approximately HK\$40.6 million for the Reporting Period when compared with a profit attributable to owners of the Company of approximately HK\$2.1 million for the Previous 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\$94.8 million as at 30 September 2024 (31 March 2024: approximately HK\$121.8 million). The Group had cash and bank balances which were mostly held in Hong Kong dollar and Renminbi. As at 30 September 2024, the Group's outstanding bank borrowings were approximately HK\$273.0 million (31 March 2024: HK\$281.4 million), while total assets were approximately HK\$1,127.5 million (31 March 2024: HK\$1,274.5 million).

As at 30 September 2024, the Group's current assets were kept at approximately HK\$330.0 million (31 March 2024: approximately HK\$329.5 million) whilst current liabilities were approximately HK\$744.1 million (31 March 2024: approximately HK\$736.8 million). The increase in current liabilities was mainly due to the increase in trade payables.

The gearing ratio, calculated as total interest-bearing borrowings divided by total assets, was approximately 24.2% at 30 September 2024 (31 March 2024: approximately 22.1%). The increase was mainly due to the decrease in total assets.

Pledge of assets

As at 30 September 2024, the Group pledged its property, plant and equipment of approximately HK\$36.1 million and right-of-use assets of approximately HK\$129.6 million to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 September 2024, the Group had contingent liabilities not provided for in the condensed consolidated financial statements in the amount of approximately HK\$18.0 million in relation to bank guarantees given in lieu of rental and utility deposits (31 March 2024: approximately HK\$19.6 million).

Prospects and Outlook

Looking ahead, the Group expects that the changing consumption patterns of tourists and citizens will continue to affect the catering industry. With the Central Government of China launching a series of measures to boost its economy and announcing more measures to benefit Hong Kong, including further enhancement of the Individual Visit Scheme, as well as the United States entering a rate cut cycle, it is expected to have a positive impact on the outlook for food and beverage consumption. The Hong Kong Government has earlier announced a calendar of mega events in Hong Kong for the second half of 2024, covering more than 100 events, which is expected to attract more tourists to Hong Kong and boost local consumption. It is hoped to create synergy with the aforementioned national measures, benefiting the tourism and catering industries.

The Group will pay close attention to the market environment and consumers' preferences, take timely optimization measures to improve operation and production efficiency, and adjust the menu and branch portfolio of each of its brands, with a view to driving business and revenue growth while delivering returns to our shareholders.

Dividend

The Board has resolved not to declare the payment of any interim dividend for the Reporting Period (corresponding period in 2023: 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 C1 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, the Board considered that the Company has complied with the code provisions set out in the CG Code.

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 C3 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. Wong Wai Leung Joseph, Mr. Chan Chun Bong Junbon and Ms. Huang Li Mei, all being independent non-executive Directors, are members of the Audit Committee with Mr. Wong 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 2024.

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, 28 November 2024

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