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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 2023

HIGHLIGHTS

- Revenue was approximately HK\$1,641.5 million (2022: approximately HK\$1,486.5 million (restated)), representing an increase of approximately 10.4%
- Gross profit margin¹ was at approximately 70.1% (2022: approximately 65.4% (restated)), representing an increase of approximately 4.7 percentage point
- Earnings before interest expense, tax, depreciation and amortisation were approximately HK\$332.4 million (2022: approximately HK\$263.5 million)
- Profit for the year attributable to owners of the Company was approximately HK\$21.1 million (2022: loss attributable to owners of the Company of approximately HK\$49.2 million)
- Basic earnings per share² was approximately HK\$1.63 cents (2022: basic loss per share of approximately HK\$3.78 cents)
- The Board recommends a final dividend of HK\$0.3 cents per ordinary share for the year ended 31 March 2023 (2022: 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 earnings per share amounts is based on profit for the year attributable to owners of the Company of approximately HK\$21,138,000 (2022: loss attributable to owners of the Company of approximately HK\$49,169,000) and 1,300,000,000 (2022: 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 2023, together with comparative figures for the year ended 31 March 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Revenue	4	1,641,488	1,486,473
Other income and gains, net	6	82,696	75,651
Cost of inventories sold		(491,469)	(514,641)
Staff costs		(549,327)	(479,727)
Property rentals and related expenses		(77,407)	(60,233)
Depreciation of right-of-use assets		(230,405)	(229,467)
Depreciation of property, plant and equipment		(59,165)	(61,780)
Fuel and utility expenses		(84,112)	(87,991)
Other expenses		(180,482)	(141,493)
Share of loss in a joint venture		(1,000)	(3)
Losses from impairment/write-off of non-financial assets		(7,315)	(14,049)
Losses from impairment/write-off of financial assets		(719)	(506)
Finance costs	7	(20,829)	(20,669)
Profit/(loss) before tax		21,954	(48,435)
Income tax expense	8	(825)	(734)
Profit/(loss) for the year	9	21,129	(49,169)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(1,479)	918
		(1,479)	918
Total comprehensive income/(loss) for the year		19,650	(48,251)

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000 (Restated)
Profit/(loss) for the year attributable to:			
Owners of the Company		21,138	(49,169)
Non-controlling interests		(9)	–
		<u>21,129</u>	<u>(49,169)</u>
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		19,659	(48,251)
Non-controlling interests		(9)	–
		<u>19,650</u>	<u>(48,251)</u>
Earnings/(loss) per share			
– <i>Basic and diluted (HK\$ cent)</i>	<i>11</i>	<u><u>1.63</u></u>	<u><u>(3.78)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		175,739	176,157
Right-of-use assets		400,280	466,590
Deposits and other receivables		52,186	71,533
Deferred tax assets		4,184	–
		<u>632,389</u>	<u>714,280</u>
Current assets			
Inventories		81,103	77,878
Trade receivables	12	11,077	10,788
Prepayments, deposits and other receivables		90,189	58,900
Amount due from a joint venture		4,941	2,763
Tax recoverable		1,774	2,769
Cash and cash equivalents		169,757	128,571
		<u>358,841</u>	<u>281,669</u>
Current liabilities			
Trade payables	13	63,663	58,234
Other payables, accruals and deferred income		110,765	103,680
Interest-bearing bank borrowings		308,926	239,996
Lease liabilities		148,179	270,834
Provision		5,246	8,911
Tax payable		6,345	1,974
		<u>643,124</u>	<u>683,629</u>
Net current liabilities		<u>(284,283)</u>	<u>(401,960)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>348,106</u>	<u>312,320</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Accruals and deferred income		3,324	3,656
Lease liabilities		192,356	180,616
Provision		5,830	5,891
Deferred tax liabilities		1,315	470
		<u>202,825</u>	<u>190,633</u>
NET ASSETS		<u>145,281</u>	<u>121,687</u>
Capital and reserves			
Share capital	<i>14</i>	1,300	1,300
Reserves		146,551	120,387
		<u>147,851</u>	<u>121,687</u>
Equity attributable to owners of the Company		147,851	121,687
Non-controlling interests		(2,570)	–
		<u>145,281</u>	<u>121,687</u>
TOTAL EQUITY		<u>145,281</u>	<u>121,687</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

As at 31 March 2023, the Group had net current liabilities of approximately HK\$284,283,000. 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 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 2022. 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. REVENUE

An analysis of revenue is as follows:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i> (Restated)
Restaurant operations	1,532,981	1,361,735
Sale of food and other operating items	66,196	88,339
Sales from food court operations	<u>13,997</u>	<u>15,554</u>
Revenue from contracts with customers	1,613,174	1,465,628
Rental income from food court operations	<u>28,314</u>	<u>20,845</u>
	<u><u>1,641,488</u></u>	<u><u>1,486,473</u></u>

Disaggregation of revenue from contracts with customers:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Geographical markets		
Hong Kong	1,575,418	1,392,908
PRC	66,070	93,565
	<u>1,641,488</u>	<u>1,486,473</u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Information about timing of revenue recognition		
At a point in time	1,599,177	1,450,074
Over time	13,997	15,554
	<u>1,613,174</u>	<u>1,465,628</u>
Rental income from food court operations	28,314	20,845
	<u>1,641,488</u>	<u>1,486,473</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.

Food court operations

Fixed rental income from the sub-lease of food courts, which is recognised on a straight-line basis over the lease term, and the variable portion of the rental income, which is computed based on a percentage of the food court tenant's gross sales recognised when such sales are earned.

Income from food court operation services, which is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

5. 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.

	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Hong Kong	536,132	586,206
PRC	39,887	56,541
	<u>576,019</u>	<u>642,747</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 years ended 31 March 2023 and 2022, none of the Group’s individual customer contributed more than 10% to the total revenue of the Group.

6. OTHER INCOME AND GAINS, NET

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i> (Restated)
Interest income		130	70
Licensing income		388	655
Sponsorship income		1,400	2,477
Government subsidies	<i>(1)</i>	60,989	29,622
Rent concessions related to COVID-19	<i>(2)</i>	5,625	20,201
Gain on lease termination		3,014	9,748
Overprovision of reinstatement liabilities		3,907	6,137
Others		7,243	6,741
		82,696	75,651

Note:

- (1) Government subsidies of HK\$60,989,000 (2022: HK\$29,622,000) were granted during the year ended 31 March 2023 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Interest on bank overdrafts and bank loans	9,147	4,603
Interest on lease liabilities	11,682	16,066
	20,829	20,669

8. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax:		
– Current tax	4,120	773
PRC Enterprise Income Tax (“EIT”):		
– Current tax	44	61
Deferred tax:	(3,339)	(100)
	<u>825</u>	<u>734</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2022: 25%) during the year.

9. PROFIT/(LOSS) FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor’s remuneration	2,050	2,300
Cost of inventories sold	491,469	514,641
Expenses related to short-term leases	7,634	3,634
Expenses related to variable lease payments not included in lease liabilities	4,585	3,807
Fair value losses, net-financial assets at fair value through profit or loss	–	400
Gain on disposal of subsidiaries included in other expenses	(2,185)	(25,411)
Impairment of items of property, plant and equipment	333	5,100
Write-off of items of property, plant and equipment	174	458
Impairment of right-of-use assets	6,808	8,491
Impairment of trade receivables	719	506
Salaries, bonuses and other allowances	525,501	461,863
Retirement benefit scheme contributions (defined contribution schemes)	20,682	16,018
Share-based payments	3,144	1,846
Total staff costs	<u>549,327</u>	<u>479,727</u>

10. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Proposed final dividend		
– HK\$0.3 cents (2022: nil) per ordinary share	<u><u>3,900</u></u>	<u><u>–</u></u>

The proposed final dividend for the year is subjected to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings (2022: loss) per share attributable to owners of the Company is based on the profit (2022: loss) for the year attributable to owners of the Company of approximately HK\$21,138,000 (2022: loss for the year attributable to owners of the Company of approximately HK\$49,169,000) and the weighted average number of ordinary shares of 1,300,000,000 (2022: 1,300,000,000) in issue during the year.

Diluted earnings/(loss) per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the year ended 31 March 2023.

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

12. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Credit card receivables	3,343	1,087
Others	<u>20,648</u>	<u>21,896</u>
	23,991	22,983
Impairment	<u>(12,914)</u>	<u>(12,195)</u>
	<u><u>11,077</u></u>	<u><u>10,788</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 (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	7,608	5,635
1 to 3 months	3,105	2,852
3 to 12 months	364	1,938
Over 12 months	–	363
	<u>11,077</u>	<u>10,788</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	12,195	11,877
Impairment losses	719	506
Write-off	–	(188)
	<u>–</u>	<u>–</u>
At end of year	<u>12,914</u>	<u>12,195</u>

13. 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	50,473	22,003
1 to 3 months	9,285	30,023
3 to 12 months	1,206	2,871
Over 12 months	2,699	3,337
	<u>63,663</u>	<u>58,234</u>

The trade payables are non-interest-bearing and generally have payment terms of 45 to 90 days (2022: 45 to 90 days).

14. 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 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>2,000,000,000</u>	<u>2,000</u>
Issued and fully paid: At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>1,300,000,000</u>	<u>1,300</u>

15. CONTINGENT LIABILITIES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank guarantees given in lieu of rental and utility deposits	<u>16,652</u>	<u>17,770</u>

EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023 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 as at 31 March 2023 the Group had net current liabilities of HK\$284,283,000. 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

At the end of 2022, the Hong Kong government began to withdraw the pandemic control policies gradually, including but not limited to the social gathering ban, mask mandate, vaccine pass, and isolation orders. After the full resumption of normal travel between Hong Kong and Mainland China, Hong Kong has formally entered the post-pandemic era. After the reopening of border, visitors from Mainland China to Hong Kong have been gradually increasing. According to the statistics of the Hong Kong Tourism Board, the number of Mainland Chinese visitor arrivals in April 2023 achieved a record total of approximately 2.3 million. This is the first time it reaches 2 million in a month since February 2020, when the pandemic started. As the number of visitor arrivals to Hong Kong gradually increases, it is believed that the catering industry will gradually return to the pre-pandemic level.

According to the Hong Kong Census and Statistics Department, restaurant receipts in March 2023 amounted to HK\$9,352 million, representing a year-on-year increase of 136.6%; comparing the full year of 2022 with 2021, the gross domestic product (GDP) increased by about 4.6% in real terms compared with the same period of the previous year. In the first quarter of 2023, the GDP increased by about 2.7% in real terms compared with the same period of the previous year, and private consumption expenditure also increased by 8% compared with the same period of the previous year, indicating that the Hong Kong economy is gradually returning to normal after the withdrawal of the pandemic control policies. The provisional estimate of the value of total restaurant receipts for the first quarter of 2023 is \$27.6 billion, representing a year-on-year increase of 81.7%. During the same period, total receipts for Chinese restaurants increased by 126.9%, while total receipts for non-

Chinese restaurants increased by 85.8%. As local activities resumed and visitor arrivals to Hong Kong rebounded, the catering business improved significantly in the first quarter of 2023. Compared with the low base of the previous year, the value of total receipts of restaurants rose sharply by 81.7%. The catering business will continue to benefit from the recovery of personal consumption and tourism revival, and the issuance of a new round of consumption vouchers will also help.

For the PRC market, according to the “2022 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. With the normalization of pandemic prevention and control, national consumption enthusiasm has been ignited. In 2021, the scale of the catering market has recovered to RMB4.7 trillion, a year-on-year increase of 18.6%, indicating that it has returned to the level of 2019. In particular, the proportion of Chinese food stores has been gradually increasing, and the brand chains have shown a trend of accelerated development. According to a joint study by the China Chain Store and Franchise Association and the State Information Center of China, the direct pull effect on the GDP of the catering industry in 2019 and 2020 amounted to RMB716.6 billion and RMB532.9 billion, respectively. Consumption is a main driving factor and an integral part of promoting the internal circulation of the economy.

Business Review

During the financial year under review, the Hong Kong government gradually withdrew pandemic control policies. The limit for the number of customers at each table in restaurants has been removed, together with the limit for the number of people in social gatherings. The tables in restaurants no longer need to maintain a 1.5-meter distance between each other. After the full resumption of normal travel, the number of overseas and Mainland Chinese visitors to Hong Kong has been gradually increasing, resulting in a significant improvement in the Group’s revenue.

In light of the revival of the catering industry and the changing consumption and catering patterns in the post-pandemic era, the Group maintained the branding strategy of full-time catering and increased the number of brands and categories under its “Concept Line (概念線)”, as well as extending its business to a full-day operation with diverse options, so that customers can cater in the Group’s restaurants at any time.

The Group has been expanding its catering brands in residential areas at a moderate and prudent pace in order to meet the diverse local catering needs and enhance customers’ dining experience at different hours of the day. As at 31 March 2023, the Group operated a total of 102 restaurants in Hong Kong, including 15 restaurants under the “Fulum (富臨)” main brand, 7 restaurants under the “Sportful Garden (陶源)” main brand, 80 restaurants under the “Concept Line (概念線)” main line as well as 8 supermarkets, and 3 restaurants in the Mainland China.

During the financial year under review, 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. In the post-pandemic era, there is a change in people’s dining habits, as more people choose to cook at home or purchase takeaway. The Group has adjusted its business strategy in a timely manner and actively developed 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.

On the other hand, the Group continues to expand its “Concept Line (概念線)” series of restaurants to create a full-time catering ecosphere to cater to the diverse local dining needs and enhance the dining experience of customers at different hours of the day. In recent years, local consumers’ demand for food and beverage is no longer limited to traditional Cantonese cuisine, and the demand for new style dishes has increased significantly. The “Concept Line (概念線)” series of restaurants provide consumers with Korean barbecue restaurants combining authentic Korean izakaya food and traditional culture, classy and casual cafes, authentic Thai food, food courts and so on. During the financial year under review, we have started a number of fine dining restaurants with different price ranges and different cuisines to cater to the needs of our customers.

The pandemic has changed the consumption and catering patterns in Hong Kong, leading to a structural change in the catering market. Therefore, the Group continued to operate supermarkets in residential areas and provide online shopping services so that customers can buy fresh ingredients anytime and anywhere. Meanwhile, the Group has opened food courts in different districts to provide various different catering and takeaway options. In the future, the Group will continue to open more supermarkets and food courts in residential areas to cater for the customers’ needs.

Financial review

During the year under review, the Group’s revenue increased by approximately 10.4% to approximately HK\$1,641.5 million (2022: approximately HK\$1,486.5 million (restated)) from last year.

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

	2023	2022	% Change
	HK\$’000	HK\$’000	
Restaurant operations			
“Fulum (富臨)” main brand	646,775	625,750	3.4
“Sportful Garden (陶源)” main brand	207,897	179,914	15.6
“Concept Line (概念線)”	678,309	556,071	22.0
Sale of food and other operating items	66,196	88,339	(25.1)

During the year under review, the Group’s gross profit margin increased to 70.1% (2022: approximately 65.4% (restated)). The Group recorded a profit attributable to owners of the Company of approximately HK\$21.1 million for the year ended 31 March 2023 when compared with a loss attributable to owners of the Company of approximately HK\$49.2 million for the year ended 31 March 2022.

Prospects and Outlook

The Group believes that our branding strategy of full-time dining and adjusting the menu portfolio of each brand in response to market conditions will provide us with a sustainable and stable growth momentum. The Group believes that the relaxation of entry restrictions will boost cross-border economic activities and further revive the local catering market. In order to meet the capricious market environment and customer consumption patterns, we continue to expand our “Concept Line (概念線)” main line, expand our casual dining portfolio, and meet the needs of the masses through a small-store group management approach. We will review our operation strategy as appropriate, increase the sales channels of our restaurants and strengthen our digital marketing to build the Group into a diversified catering kingdom and strengthen our market position by increasing our market share and enhancing our competitiveness. In the future, the Group will continue to explore quality dishes from around the world to meet customer demand and broaden its customer base.

Financial resources and liquidity

As at 31 March 2023, the Group’s total assets decreased to approximately HK\$991.2 million (2022: approximately HK\$995.9 million). As at 31 March 2023, the Group recorded total equity of approximately HK\$145.3 million (2022: approximately HK\$121.7 million). The increase in the total equity of the Group as at 31 March 2023 mainly resulted from profit attributable to owners of the Company of approximately HK\$21.1 million for the year ended 31 March 2023.

As at 31 March 2023, the Group had approximately HK\$169.8 million in cash and bank balances available (2022: approximately HK\$128.6 million). The current ratio of the Group was approximately 0.6 (2022: approximately 0.4).

As at 31 March 2023, the Group's total borrowings amounted to approximately HK\$308.9 million (2022: approximately HK\$240.0 million), which mainly consisted of bank overdraft of approximately HK\$nil million (2022: approximately HK\$55.1 million), term loans in the amount of approximately HK\$293.2 million (2022: approximately HK\$169.2 million) and a revolving loan of approximately HK\$15.7 million (2022: approximately HK\$15.7 million). These borrowings were denominated in Hong Kong dollars, and the effective interest rates ranged from approximately 3.38% to 4.60% 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 2023, the Group had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK\$16.7 million in relation to bank guarantees given in lieu of rental and utility deposits (2022: approximately HK\$17.8 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 2023, the Group had approximately 1,913 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 2023, the Company had outstanding bank loans of approximately HK\$308.9 million, of which approximately HK\$78.7 million were secured, and approximately HK\$230.2 million were unsecured. As at 31 March 2023, the Company had lease liabilities recognised on the application of HKFRS 16 "Leases" of approximately HK\$340.5 million, of which approximately HK\$148.2 million were due within one year and approximately HK\$192.3 million were due after one year.

As at 31 March 2023, certain assets of the Group with a carrying amount in aggregate of HK\$172.3 million (2022: HK\$172.1 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 recommends a final dividend of HK\$0.3 cents per ordinary share for the year ended 31 March 2023 (2022: Nil) to shareholders whose names appear on the register of members of the Company on 5 October 2023. The final dividends are subject to the approval of the shareholders of the Company at the forthcoming annual general meeting and, if approved, are to be payable in cash.

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 2023 are as follows:

Directors

Name	Capacity	Date of Grant	Exercise Price	Outstanding as at 1 April 2022	Granted during the period	Lapsed during the period	Outstanding as at 31 March 2023
Mr. Yeung Wai	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. Yeung Chun Nin	Beneficial Owner	30 November 2022	HK\$0.216	–	1,087,500	–	1,087,500
Ex-Director (<i>Note 4</i>)	Beneficial Owner	18 August 2021	HK\$0.2056	7,000,000	–	–	7,000,000
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	Outstanding as at 1 April 2022	Granted during the period	Lapsed during the period	Outstanding as at 31 March 2023
18 August 2021	Beneficial Owner	HK\$0.2056	63,920,000	–	14,867,500	49,052,500
22 March 2023	Beneficial Owner	HK\$0.228	–	15,000,000	–	15,000,000

Notes:

1. As for the share options granted on 18 August 2021 (the “**2021 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 2021 Date of Grant.
2. As for the share options granted on 30 November 2022 (the “**2022 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. 29 November 2022 was HK\$0.203. The options are exercisable in 3 tranches of 33%, 33% and 34%, respectively, at any time after the expiration of 12, 24 and 36 months, respectively, from the 2022 Date of Grant.
3. As for the share options granted on 22 March 2023 (the “**2023 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. 21 March 2023 was HK\$0.19. The options are exercisable in 3 tranches of 33%, 33% and 34%, respectively, at any time after the expiration of 12, 24 and 36 months, respectively, from the 2023 Date of Grant.
4. Mr. Yeung Yun Chuen retired as an Executive Director with effect from 30 June 2022. In accordance with the Share Option Scheme, share options of 7,000,000 granted to him remain effective until the end of the exercise period.
5. 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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) so that after exercise of such share options, the public float requirements will not be violated.
6. Share options of 14,867,500 lapsed during the year ended 31 March 2023.

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 Listing Rules. Throughout the year ended 31 March 2023, the Board considered that the Company has complied with the code provisions set out in the CG Code.

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 2023 and up to the date of this announcement.

Purchases, sale or redemption of listed securities

During the year ended 31 March 2023, 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 2023 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 audit committee of the Company (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 2023. 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 2023 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 Monday, 25 September 2023 to Thursday, 28 September 2023, 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 Friday, 22 September 2023.

In addition, subject to the approval of shareholders at the meeting, the final dividend will be payable on or about 19 October 2023 to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 5 October 2023, and the register of members of the Company will be closed from Friday, 6 October 2023 to Monday, 9 October 2023, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all share transfer documents, accompanied by the relevant share certificates must be lodged 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, 5 October 2023 for registration.

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 2023 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, 28 June 2023

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. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon as independent non-executive Directors.