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 2017

HIGHLIGHTS

- Revenue was approximately HK$2,966.0 million (2016: approximately HK$2,773.3 million), representing an increase of approximately 6.9%
- Gross profit margin[1] was at approximately 71.6% (2016: approximately 71.1%), representing an increase of approximately 0.5 percentage point
- Earnings before interest expense, tax, depreciation and amortisation was approximately HK$202.7 million (2016: approximately HK$210.1 million), representing a decrease of approximately 3.5%
- Profit for the year attributable to owners of the Company was approximately HK$82.8 million (2016: approximately HK$101.4 million), representing a decrease of approximately 18.3%
- Basic earnings per share[2] was approximately HK6.37 cents (2016: approximately HK7.80 cents), representing a decrease of approximately 18.3%
- The guest count was approximately 28.7 million (2016: approximately 27.6 million), representing an increase of approximately 4.0%
- The gearing ratio of the Group was down to approximately 2.0% (2016: approximately 3.6%)
- The Board recommends a final dividend of HK2.55 cents per ordinary share for the year ended 31 March 2017 (2016: HK3.12 cents per ordinary share)

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 ordinary equity holders of the Company of approximately HK$82,842,000 (2016: approximately HK$101,404,000) and the weighted average number of ordinary shares of 1,300,000,000 (2016: 1,300,000,000) 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 2017, together with comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	*5*	**2,965,974**	2,773,289
Other income and gains	*5*	**19,643**	21,442
Cost of inventories sold		**(842,926)**	(801,116)
Staff costs		**(990,064)**	(903,855)
Property rentals and related expenses		**(523,660)**	(475,468)
Depreciation		**(97,529)**	(85,281)
Fuel and utility expenses		**(184,709)**	(183,030)
Other expenses		**(241,515)**	(221,171)
Finance costs	*6*	**(691)**	(796)
PROFIT BEFORE TAX	*7*	**104,523**	124,014
Income tax expense	*8*	**(21,681)**	(22,610)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**82,842**	101,404
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic	*10*	**6.37 cents**	HK7.80 cents
— Diluted	*10*	**6.36 cents**	HK7.75 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**82,842**	101,404
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
— Exchange differences on translation of foreign operations	**(3,155)**	(1,392)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**79,687**	100,012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**261,362**	278,369
Goodwill		**58,707**	58,707
Intangible assets		**13,000**	13,000
Deposits		**88,341**	88,344
Deferred tax assets		**25,931**	27,856
Total non-current assets		**447,341**	466,276
CURRENT ASSETS			
Inventories	*12*	**78,348**	67,543
Trade receivables	*13*	**8,610**	7,678
Prepayments, deposits and other receivables		**116,166**	65,461
Tax recoverable		**17,801**	14,080
Pledged time deposit		**2,377**	2,365
Cash and cash equivalents		**637,353**	660,260
Total current assets		**860,655**	817,387
CURRENT LIABILITIES			
Trade payables	*14*	**78,489**	87,805
Other payables, accruals and deferred income		**129,162**	126,992
Interest-bearing bank borrowings		**18,467**	33,748
Finance lease payables		**682**	402
Due to related parties		**–**	884
Provision		**12,501**	6,305
Tax payable		**9,977**	10,692
Total current liabilities		**249,278**	266,828
NET CURRENT ASSETS		**611,377**	550,559
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,058,718**	1,016,835

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Accruals and deferred income	**27,427**	29,509
Finance lease payables	**1,225**	641
Provision	**20,430**	25,214
Deferred tax liabilities	**1,082**	2,052
Total non-current liabilities	**50,164**	57,416
Net assets	**1,008,554**	959,419
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**1,300**	1,300
Reserves	**1,007,254**	958,119
Total equity	**1,008,554**	959,419

NOTES

1. CORPORATE AND GROUP 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 15th Floor, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, 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") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2014.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The financial statements are prepared in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of amendments to HKAS 1 and amendments to HKAS 16 and HKAS 38, the adoption of the above new and revised standards has had no significant financial effect on the financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the consolidated statement of profit or loss and the consolidated statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation and amortisation of its non-current assets.

4. OPERATING 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.

Information about geographical areas

The following tables present revenue from external customers for the years ended 31 March 2017 and 2016, and certain non-current asset information as at 31 March 2017 and 2016, by geographical areas.

(a) Revenue from external customers

	2017	2016
	HK\$'000	*HK\$'000*
Hong Kong	**2,850,405**	2,670,772
Mainland China	**115,569**	102,517
	2,965,974	2,773,289

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

(b) Non-current assets

	2017	2016
	HK\$'000	*HK\$'000*
Hong Kong	**294,968**	300,729
Mainland China	**38,320**	49,347
	333,288	350,076

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 revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during the year, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAINS

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Restaurant operations	**2,895,682**	2,710,432
Sale of food and other operating items	**70,292**	62,857
	2,965,974	2,773,289
Other income and gains		
Bank interest income	**4,539**	6,857
Licensing income	**2,104**	2,201
Sponsorship income	**8,322**	7,957
Gain on disposal of subsidiaries	**286**	–
Gain on waiver of reinstatement liabilities	**1,689**	–
Others	**2,703**	4,427
	19,643	21,442

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loan	**594**	730
Interest on finance leases	**97**	66
	691	796

7. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Lease payments under operating leases:		
Minimum lease payments	**439,139**	403,250
Contingent rents	**3,074**	614
	442,213	403,864
Employee benefit expenses (including directors' remuneration)		
Salaries, bonuses and other allowances	**941,679**	858,760
Equity-settled share option expense	**10,008**	10,679
Retirement benefit scheme contributions (defined contribution schemes)	**38,377**	34,416
	990,064	903,855
Impairment of trade receivables	**3,390**	–
Impairment of other receivables	**285**	–
Loss on disposal of items of property, plant and equipment	**118**	–
Write-off of items of property, plant and equipment	**1,567**	41
Foreign exchange differences, net	**10,604**	7,735

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2016: 25%) during the year.

	2017	2016
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**18,043**	29,896
Underprovision in prior years	**26**	575
Current — Mainland China		
Charge for the year	**2,694**	1,467
Deferred	**918**	(9,328)
Total tax charge for the year	**21,681**	22,610

9. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final 2016 — HK3.12 cents (2016: Final 2015 — HK5.00 cents) per ordinary share	**40,560**	65,000
Dividend proposed after the end of the reporting period:		
Proposed 2017 — HK2.55 cents (2016: Proposed 2016 — HK3.12 cents) per ordinary share	**33,150**	40,560

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

The proposed final dividend of HK$40,560,000 for the year ended 31 March 2016 was approved by the Company's shareholders on 19 August 2016.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on profit for the year attributable to ordinary equity holders of the Company of HK$82,842,000 (2016: HK$101,404,000) and the weighted average number of ordinary shares of 1,300,000,000 (2016: 1,300,000,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$82,842,000 (2016: HK$101,404,000), and the total of (i) the weighted average number of ordinary shares of 1,300,000,000 (2016: 1,300,000,000), as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of 2,079,464 (2016: 8,784,150) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

The calculation of basic and diluted earnings per share are based on:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**82,842**	101,404
Shares		
Weighted average number of ordinary shares in issue and issuable during the year, used in the basic earnings per share calculation	**1,300,000,000**	1,300,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**2,079,464**	8,784,150
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,302,079,464**	1,308,784,150

11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired items of property, plant and equipment amounting to approximately HK$86,438,000 (2016: approximately HK$140,999,000).

12. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Food and beverages	**74,209**	64,146
Other operating items for restaurant operations	**4,139**	3,397
	78,348	67,543

13. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Credit card receivables	**4,093**	3,162
Others	**7,328**	4,516
Impairment	**(2,811)**	–
	8,610	7,678

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 (2016: 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 aged 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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**6,605**	4,232
1 to 3 months	**1,268**	611
3 to 12 months	**604**	2,478
Over 12 months	**133**	357
	8,610	7,678

The movements in provision for impairment of trade receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Impairment losses recognised *(note 7)*	**3,390**	–
Amount written off as uncollectible	**(579)**	–
At end of year	**2,811**	–

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,811,000 (2016: Nil) with a carrying amount before provision of HK$2,811,000 (2016: Nil).

14. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**65,005**	69,285
1 to 3 months	**12,495**	17,911
3 to 12 months	**949**	279
Over 12 months	**40**	330
	78,489	87,805

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

15. CONTINGENT LIABILITIES

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

	2017	2016
	HK$'000	*HK$'000*
Bank guarantees given in lieu of rental and utility deposits	**57,347**	58,965

16. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to twelve years.

As at the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**308,471**	391,425
In the second to fifth years, inclusive	**359,614**	435,607
Beyond five years	**32,113**	43,266
	700,198	870,298

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and a contingent rent based on the sales of these restaurants pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Despite the uncertainties in global economy, the local retail market showed signs of gradual recovery. In March and April 2017, the Group's total retail sales increased in two consecutive months, mainly attributable to the increase in tourist spending as a result of sustained recovery of visitor arrivals and the improvement in local consumer sentiment. According to the data released by the Census and Statistics Department of the Government of Hong Kong, the value of total receipts of restaurants sector in the first quarter of 2017 provisionally estimated at HK$27.7 billion, representing a year-to-year increase of 4.1%. Over the same period, the provisional value of total purchases by restaurants increased by 2.3% amounted to HK$8.9 billion. After netting out the effect of price changes over the same period, the volume of total restaurant receipts rose by 1.2% in the first quarter of 2017 as compared with the same period of 2016. The Group believes that there will be a steady growth of the local catering market in the future and is full of confidence towards the prospects of the catering industry.

For the Mainland China market, according to the "Report on Catering Industry of China in 2017 《中國餐飲報告(白皮書2017)》" jointly released by the MeiTuanDianPing (美團點評) and CanYinLaoPanNeiCan (餐飲老闆內參), the revenue of the catering industry in the PRC in year 2016 exceeded RMB3.5 trillion, representing an increase of approximately 11.2% on a yearly basis. It is expected that the revenue of the catering industry will reach RMB5 trillion by 2020. The catering industry in the PRC is currently undergoing reform. Factors such as improving living standard, booming middle class and consumption upgrade led to diversified market segments and product categories as well as rapid differentiation in the catering industry in the PRC. Amidst intensified competition of the catering industry, restaurant openings and closings at a faster pace is becoming the industry norm.

Business Review

During the financial year under review, local catering needs remained stable. The Group continued to adopt proactive and aggressive expansion strategy to establish new restaurants and to explore diversifying catering brands to gratify local catering needs and enhance dining experience. During the year, the Group has opened 2 restaurants under the "Fulum (富臨)" main brand, 2 restaurants under "Sportful Garden (陶源)" main brand and 6 restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong. As of 31 March 2017, the Group operated a total of 82 restaurants in Hong Kong, among which, 43 restaurants were under "Fulum (富臨)" main brand, 12 restaurants were under the "Sportful Garden (陶源)" main brand and 27 restaurants were under the "Fulum Concept (富臨概念)" main line. The Group also operated 3 restaurants in the PRC.

"Fulum (富臨)" main brand and "Sportful Garden(陶源)" main brand are the important cornerstone of the Group. Currently, restaurants under "Fulum (富臨)" main brand, including "Royal One Pleasant Palace (皇室①號囍臨門)", "Fulum Palace (富臨皇宮)", "Fulum Restaurant (富臨酒家)", "Fulum Fisherman's Wharf Restaurant (富臨漁港)", "Pleasant Palace (囍臨門酒家)", "Fulum (富臨粵之味)", "Banquet Palace (金皇廷囍宴)" and "Fulum (富臨)", provide Cantonese cuisine for mass market customers, while restaurants under "Sportful Garden(陶源)" main brand focus on mid-high end Cantonese cuisine targeting mid-to-high end customers.

Meanwhile, the Group proactively launched different restaurants under the "Fulum Concept (富臨概念)" main line in recent years, including "MeokBang Korean BBQ & Bar (炑八韓烤)" and "Mount HallaSan BBQ (漢拏山烤肉)" which mainly serve Korean cuisine, and "Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家)", "Winter Steam Pot Restaurant (正冬火鍋)", "The Orient Barbecue Cuisine (正東燒豬料理)", "Winter Yutango Restaurant (正冬魚塘公)" and "Steamy Seafood Cuisine (海里鮮蒸氣石鍋)" which mainly serve hotpot cuisine. The Group introduced a new brand "Co Co Kitchen (四季文昌)" mainly serving "coconut chicken hotpot in Hainan style" in financial year 2016/17. Subsequent to the year end, the Group opened two "Tou Hotpot (饕鍋物)" restaurants in Causeway Bay and Tseung Kwan O respectively under a new Taiwanese hotpot brand, which are popular among the diners.

For the PRC market, the Group currently operates three "Fulum Palace (富臨皇宮)" restaurants in Guangzhou, Zhuhai and Fuzhou, respectively. All of them which are located in the residential areas with dense population mainly provide mass catering services so as to meet the neighbourhoods' demand for Chinese cuisine and wedding venues within the regions. Believing in the enormous consumption power in the PRC market, the Group will open new restaurants in due course in the future to provide Mainland China residents with quality catering experience and services.

The following table sets forth the number of restaurant by business for the financial years indicated:

	2017	2016
Number of restaurants (As at 31 March)		
"Fulum (富臨)" main brand	**46**	45
"Sportful Garden (陶源)" main brand	**12**	11
"Fulum Concept (富臨概念)" main line	**27**	21
Total	**85**	77

The Group has introduced a customer loyalty membership card programme in June 2015 in the restaurants of "Sportful Garden (陶源)" in Hong Kong for the Group's loyal customers to accumulate credit points to redeem for value-added benefits and gifts. Currently, there are more than 30,000 members under such membership programme. The Group will provide various membership benefits and discounts in order to increase the number of long-term customers.

Financial results

During the year under review, the Group's revenue increased by approximately 6.9% to approximately HK$2,966.0 million (2016: approximately HK$2,773.3 million) from last year, mainly due to the increase in number of restaurants. The Group opened 10 new restaurants (2016: 17 restaurants) during the year ended 31 March 2017. During the year, the Group continued its proactive development of the restaurants under the "Fulum Concept (富臨概念)" main line, which comprised over one-half of the new restaurants established in Hong Kong are under the "Fulum Concept (富臨概念)" main line, including 4 restaurants of the brand "MeokBang Korean BBQ & Bar (炑八韓烤)" specialising in Korean barbecue, were opened in Tuen Mun, Tin Shui Wai and Wong Tai Sin, and 2 restaurants of the new brand "Co Co Kitchen (四季文昌)" were opened in Mongkok and Tsim Sha Tsui. These new restaurants are extremely helpful in responding to the limited availability of prime restaurant spaces and attracting more young customers. For the brands, "Fulum Palace (富臨皇宮)" and "Fulum (富臨)"under the "Fulum (富臨)" main brand, restaurants were launched under these brands in Shatin and in Tseung Kwan O respectively, and 2 restaurants under the "Sportful Garden (陶源)" main brand were opened at Olympian City in Tai Kok Tsui, and E Plaza in Kwun Tong. It is expected that the opening of the restaurants can strengthen the core business of the Group.

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

	2017	2016	**% Change**
	HK$'000	*HK$'000*	
Restaurant operations			
"Fulum (富臨)" main brand	**2,138,701**	2,087,494	**+2.5**
"Sportful Garden (陶源)" main brand	**383,398**	349,860	**+9.6**
"Fulum Concept (富臨概念)" main line	**373,583**	273,078	**+36.8**
Sale of food and other operating items	**70,292**	62,857	**+11.8**

Due to the economic downturn in Mainland China and Hong Kong, the consumer sentiment among citizens and the number of tourists dropped significantly. The growth of the Group's revenue thereby slowed down. Together with high magnitude of costs including rent, labour, food ingredients and utilities, the Group encountered difficult challenges. Fortunately, through the enhancement in increasing the procurement of raw materials by the Group's central kitchen, reducing wastage of food ingredients and "best dishes" menu combination, the Group's gross margin was maintained at approximately 71.6% for the year (2016: approximately 71.1%). However, the exchange loss on deposits denominated in Renminbi which is increased by approximately HK$2.9 million had led to the increase in other expenses for the current year. The profit attributable to owners of the Company decreased by approximately 18.3%, or approximately HK$18.6 million, from approximately HK$101.4 million for the year ended 31 March 2016 to approximately HK$82.8 million for the year ended 31 March 2017. The Group's management has implemented strategies in response to the abovementioned circumstances and believes that the Group's performance in the PRC will gradually improve in the future.

Prospects and outlook

The Group is confident in the long-term prospects of the catering market in Hong Kong and the PRC and will continue to adopt proactive and aggressive strategy. Meanwhile, the Group is proactively looking for the opportunity of mergers and acquisitions and continues to identify catering brands, in particular Asian catering brands as targets for mergers and acquisitions, and thus makes Fulum Group a diversified catering kingdom.

For the PRC market, the mass catering market continued its rapid development and the Group is optimistic towards the long-term development of that market. The Group will increase the number of restaurants in Mainland China prudently to expand its customer base and market share.

Financial resources and liquidity

As at 31 March 2017, the Group's total assets increased to approximately HK$1,308.0 million (2016: approximately HK$1,283.7 million) while the total equity increased to approximately HK$1,008.6 million (2016: approximately HK$959.4 million).

As at 31 March 2017, we had approximately HK$637.4 million in cash and bank balances available. The current ratio of the Group was approximately 3.5 (2016: approximately 3.1).

As at 31 March 2017, the Group's total borrowings amounted to approximately HK$20.4 million (2016: approximately HK$34.8 million), which mainly consisted of finance leases in the amount of approximately HK$1.9 million (2016: approximately HK$1.0 million), bank overdrafts of nil (2016: HK$0.4 million) and a tax loan of approximately HK$18.5 million (2016: approximately HK$33.4 million). These finance lease liabilities were denominated in Hong Kong dollars and the effective interest rates ranged from approximately 3.6% to 7.0% while a tax loan was denominated in Hong Kong dollars with effective interest rate of approximately 2.2% per annum and were repayable within one year. There are no material covenants relating to these outstanding indebtedness.

As at 31 March 2017, the gearing ratio (being the total of finance lease, tax loans and interest-bearing borrowings divided by total equity attributable to the owners of the Company) of the Group decreased to approximately 2.0% (2016: approximately 3.6%).

Capital expenditure

The capital expenditure during the year under review was primarily related to expenditures on additions and renovation of property, plant and equipment for our 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 2017, we had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK$57.3 million in relation to bank guarantees given in lieu of rental and utility deposits (2016: approximately HK$59.0 million).

Foreign currency exposure

The Group's exposure to the risk of changes in foreign exchange rates relates preliminarily 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). None of the Group's purchase during the reporting year was denominated in currencies other than 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 time deposits are denominated in Renminbi ("**RMB**") which is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, 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 2017, the Group had approximately 4,920 employees. We believe that hiring, motivating and retaining qualified employees are crucial to our 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.

In addition, the Group also adopted the Pre-IPO Share Option Scheme (as defined below) and Share Option Scheme (as defined below), where eligible employees are entitled to various share options to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 31 March 2017, 45,280,000 options (2016: 47,430,000 options) were outstanding under the Pre-IPO Share Option Scheme and no share options have been exercised during the year. Also, as at 31 March 2017, no share option has been granted or agreed to be granted pursuant to the Share Option Scheme.

Indebtedness and charges on Group's assets

As at 31 March 2017, certain assets of the Group with carrying amount in aggregate of approximately HK$2.4 million (2016: approximately HK$2.4 million) were pledged to secure its bank borrowings and/or utilities guarantees.

Material acquisition or disposal of subsidiaries

During the reporting 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 HK2.55 cents per ordinary share for the year ended 31 March 2017 (2016: HK3.12 cents per ordinary share) to shareholders whose names appear on the register of members of the Company on 28 August 2017. 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 pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") which became effective on 28 October 2014. The Company has granted 54,000,000 options to eligible directors, senior management and employees of the Group to subscribe for ordinary shares of the Company subject to terms and conditions stipulated under the Pre-IPO Share Option Scheme. The exercise price shall be 60% of the final offer price to the public and the Pre-IPO Share Option Scheme is to remain in force for a period of 5 years from the grant date.

Pursuant to a post-IPO share option scheme (the "**Share Option Scheme**") adopted by the Company on 28 October 2014, the Directors may invite eligible participants to take up options at a price determined by the Board but in any event the share price of the option shall not be less than whichever is the highest of (i) the nominal value of Shares; (ii) the closing price of Shares as stated in the Stock Exchange daily quotations sheet on the offer date; and (iii) the average of the closing prices of 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 the 13 November 2014.

As at the date of this announcement, no share option has been granted under the Share Option Scheme.

Corporate Governance Code

The Board periodically reviews the Group's corporate governance practices to ensure its continuous compliance with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 March 2017, save for the deviation from code provision A.2.1 of the CG Code, the Board considered that the Company has complied with the code provisions set out in the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company should be separate and should not be performed by the same individual. For the year under review, the Company did not have a separate Chairman and Chief Executive Officer, with Mr. Yeung Wai performing these two roles. As Mr. Yeung Wai has in-depth experience and knowledge of the Group and its businesses, the Board is of the view that his appointment for the dual roles as the Chairman and the Chief Executive Officer is in the best interest of the Group in order to ensure continuity of leadership and efficiency in formulation and execution of corporate strategies, and that there is adequate balance of power and authority in place.

The Board is committed to maintain 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 2017.

Purchases, sale or redemption of listed securities

For the year ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Events after the Reporting Period

There are no material subsequent events undertaken by the Group after 31 March 2017 and up to the date of this announcement.

Audit Committee

The Company established the audit committee (the "**Audit Committee**") on 28 October 2014 with the revised written terms of reference adopted on 1 February 2016. The primary duties of the Audit Committee are to make recommendations to our 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. Currently, Mr. Fan Chun Wah Andrew (范駿華), Mr. Lock Kwok On Anthony (駱國安) and Mr. Wu Kam On Keith (鄔錦安), all being independent non-executive Directors, are members of the Audit Committee with Mr. Wu Kam On Keith (鄔錦安), being the chairman. All of them possess extensive experience in financial and general management.

The work performed by the Audit Committee during the year ended 31 March 2017 included (i) to review external auditors' management letter and management response; (ii) to review the interim and annual reports before submission to the Board for approval; (iii) to review the progress and effectiveness of the Group's internal control and risk management; (iv) to review the continuing connected transactions of the Company; and (v) to consider the terms of engagement and remuneration of external auditor for its provision of audit and permitted non-audit related services.

Scope of work of the Company's auditor in respect of this preliminary announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in this preliminary announcement have been agreed by the Company's auditor, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2017. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company's auditor on this preliminary announcement.

2017 Annual General Meeting

It is proposed that the 2017 annual general meeting (the "**AGM**") will be held on Friday, 18 August 2017. A notice convening the AGM will be published on the Company's website (www.fulumgroup.com) and the Stock Exchange's website (www.hkexnews.hk) and will be despatched to the shareholders of the Company accordingly.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 15 August 2017 to Friday, 18 August 2017, both days inclusive, during which no transfer of shares of the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the AGM to be held on 18 August 2017, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Investors Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 14 August 2017 for registration.

Subject to the approval of shareholders at the meeting, the proposed final dividend will be payable on or about Thursday, 7 September 2017 to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Monday, 28 August 2017, and the register of members of the Company will be closed from Thursday, 24 August 2017 to Monday, 28 August 2017, both days inclusive, during which no transfer of shares of the Company 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, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 23 August 2017 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 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 of
Fulum Group Holdings Limited
YEUNG WAI
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 26 June 2017

As at the date of this announcement, the Board comprises Mr. Yeung Wai, Mr. Yeung Yun Chuen, Mr. Yeung Yun Kei and Mr. Leung Siu Sun as executive Directors; and Mr. Fan Chun Wah Andrew, Mr. Lock Kwok On Anthony and Mr. Wu Kam On Keith as independent non-executive Directors.