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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 2017

HIGHLIGHTS

- Revenue was approximately HK\$1,381.3 million (corresponding period in 2016: approximately HK\$1,398.0 million), representing a decrease of approximately 1.2%
- Gross profit margin¹ was at 71.3% (corresponding period in 2016: 70.3%), representing an increase of one percentage point
- Earnings before interest, tax, depreciation and amortisation was approximately HK\$60.0 million (corresponding period in 2016: approximately HK\$67.7 million), representing a decrease of approximately 11.4%
- Profit for the period and attributable to owners of the Company was approximately HK\$11.6 million (corresponding period in 2016: approximately HK\$16.8 million), representing a decrease of approximately 31.0%
- Basic earnings per share² was HK0.90 cents (corresponding period in 2016: HK1.29 cents), representing a decrease of approximately 30.2%
- The guest count was approximately 13.9 million (corresponding period in 2016: approximately 14.6 million), representing a decrease of approximately 4.8%
- The gearing ratio³ of the Group was down to approximately 0.9% (31 March 2017: approximately 2.0%)
- The Directors do not recommend the payment of any dividends in respect of the Reporting Period (corresponding period in 2016: 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 period attributable to ordinary equity holders of the Company of approximately HK\$11,647,000 (corresponding period in 2016: approximately HK\$16,798,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2016: 1,300,000,000) in issue during the period.

³ Gearing ratio is calculated by dividing the total of finance leases and interest-bearing bank borrowings by total equity attributable to owners of the Company.

INTERIM RESULTS (UNAUDITED)

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 2017 (the “Reporting Period”) together with comparative figures for the corresponding period in 2016 (the “Previous Reporting Period”). The condensed consolidated interim financial statements for the Reporting Period have not been audited, but have been reviewed by the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	5	1,381,273	1,397,964
Other income and gains	5	7,853	7,656
Cost of inventories sold		(396,522)	(415,633)
Staff costs		(459,448)	(460,585)
Property rentals and related expenses		(270,587)	(254,275)
Depreciation		(45,379)	(47,185)
Fuel and utility expenses		(92,680)	(96,703)
Other expenses		(109,938)	(110,693)
Finance costs	6	(219)	(401)
PROFIT BEFORE TAX	7	14,353	20,145
Income tax expense	8	(2,706)	(3,347)
PROFIT FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY		11,647	16,798
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic	10	HK0.90 cents	HK1.29 cents
— Diluted	10	HK0.89 cents	HK1.29 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	11,647	16,798
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,111</u>	<u>(1,650)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>13,758</u></u>	<u><u>15,148</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2017

		30 September 2017	31 March 2017
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	239,972	261,362
Goodwill		58,707	58,707
Intangible assets		13,000	13,000
Deposits		119,279	88,341
Deferred tax assets		28,902	25,931
Total non-current assets		459,860	447,341
CURRENT ASSETS			
Inventories	12	95,500	78,348
Trade receivables	13	27,098	8,610
Prepayments, deposits and other receivables		84,751	116,166
Tax recoverable		15,452	17,801
Pledged time deposit		–	2,377
Cash and cash equivalents		633,076	637,353
Total current assets		855,877	860,655
CURRENT LIABILITIES			
Trade payables	14	93,705	78,489
Other payables, accruals and deferred income		117,336	129,162
Interest-bearing bank borrowings		7,817	18,467
Finance lease payables		576	682
Provision		4,787	12,501
Tax payable		8,860	9,977
Total current liabilities		233,081	249,278
NET CURRENT ASSETS		622,796	611,377
TOTAL ASSETS LESS CURRENT LIABILITIES		1,082,656	1,058,718

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Accruals and deferred income	24,938	27,427
Finance lease payables	979	1,225
Provision	28,784	20,430
Deferred tax liabilities	682	1,082
Total non-current liabilities	55,383	50,164
Net assets	1,027,273	1,008,554
EQUITY		
Equity attributable to owners of the Company		
Issued capital	1,300	1,300
Reserves	1,025,973	1,007,254
Total equity	1,027,273	1,008,554

NOTES

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 24 February 2014. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 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 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 (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 November 2014.

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 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 are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation) issued by the HKICPA, which are effective for the first time for the current period's unaudited condensed consolidated interim financial statements.

Amendments to HKFRS 12 included in
Annual Improvements 2014–2016 Cycle

Clarification of the scope of the Standard

Amendments to HKAS 7

Disclosure Initiative

Amendments to HKAS 12

Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements.

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 six months ended 30 September 2017 and 2016, and certain non-current asset information as at 30 September 2017 and 31 March 2017, by geographical areas.

(a) *Revenue from external customers*

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	1,332,318	1,343,247
Mainland China	48,955	54,717
	<u>1,381,273</u>	<u>1,397,964</u>

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

(b) *Non-current assets*

	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	276,545	294,968
Mainland China	35,134	38,320
	<u>311,679</u>	<u>333,288</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 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 period, 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 and other operating items sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Restaurant operations	1,338,196	1,356,150
Sale of food and other operating items	43,077	41,814
	1,381,273	1,397,964
Other income and gains		
Bank interest income	1,577	1,627
Licensing income	1,039	1,027
Sponsorship income	3,308	3,730
Foreign exchange differences, net	718	–
Gain on disposal of items of property, plant and equipment, net	–	90
Others	1,211	1,182
	7,853	7,656

6. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank overdrafts and bank loan	169	357
Interest on finance leases	50	44
	219	401

7. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease payments under operating leases:		
Minimum lease payments	229,042	212,950
Contingent rents	241	398
	229,283	213,348
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	436,489	436,705
Equity-settled share option expense	4,961	5,069
Retirement benefit scheme contributions (defined contribution scheme)	17,998	18,811
	459,448	460,585
Foreign exchange differences, net	(718)	6,931

8. INCOME TAX EXPENSE

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.

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% (six months ended 30 September 2016: 16.5%) during the period.

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 2016: 25%) during the current period.

9. DIVIDEND

The proposed final dividend of HK2.55 cents per ordinary share, totalling approximately HK\$33,150,000, for the year ended 31 March 2017 was approved by the Company's shareholders on 22 September 2017.

The Directors do not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2016: Nil).

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

The calculation of the basic earnings per share amounts for the period is based on profit for the six months ended 30 September 2017 attributable to ordinary equity holders of the Company of HK\$11,647,000 (six months ended 30 September 2016: HK\$16,798,000) and the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2016: 1,300,000,000) in issue and issuable during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the six months ended 30 September 2017 attributable to ordinary equity holders of the Company of HK\$11,647,000 (six months ended 30 September 2016: HK\$16,798,000), and the total of (i) the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2016: 1,300,000,000), as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of 2,753,948 (six months ended 30 September 2016: 2,148,323) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

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

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>11,647</u>	<u>16,798</u>
	Number of Shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue and issuable during the period, 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	<u>2,753,948</u>	<u>2,148,323</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>1,302,753,948</u>	<u>1,302,148,323</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of HK\$22,422,000 (six months ended 30 September 2016: HK\$57,957,000).

12. INVENTORIES

	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Food and beverages	90,877	74,209
Other operating items for restaurant operations	<u>4,623</u>	<u>4,139</u>
	<u>95,500</u>	<u>78,348</u>

13. TRADE RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Credit card receivables	9,017	4,093
Others	<u>20,892</u>	<u>7,328</u>
	29,909	11,421
Impairment	<u>(2,811)</u>	<u>(2,811)</u>
	<u>27,098</u>	<u>8,610</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 (31 March 2017: 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 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:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 1 month	24,246	6,605
1 to 3 months	755	1,268
3 to 12 months	1,571	604
Over 12 months	<u>526</u>	<u>133</u>
	<u>27,098</u>	<u>8,610</u>

14. TRADE PAYABLES

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 1 month	55,980	65,005
1 to 3 months	35,373	12,495
3 to 12 months	1,079	949
Over 12 months	<u>1,273</u>	<u>40</u>
	<u>93,705</u>	<u>78,489</u>

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

15. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities of HK\$57,103,000 (31 March 2017: HK\$57,347,000), in respect of bank guarantees given in lieu of rental and utility deposits.

16. COMMITMENTS

(a) 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 payments under non-cancellable operating leases falling due as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	371,226	308,471
In the second to fifth years, inclusive	459,397	359,614
Beyond five years	64,633	32,113
	<u>895,256</u>	<u>700,198</u>

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.

(b) Capital commitments

In addition to the operating lease commitments above, at the end of the reporting period, the Group had the capital commitments contracted, but not provided for property, plant and equipment of HK\$5,271,000 (31 March 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

According to the Census and Statistics Department of Hong Kong, the total retail sales in Hong Kong for the first eight months of 2017 recorded an overall increase, and the total revenue of restaurants for the first half of 2017 amounted to approximately HK\$54.8 billion, representing an year-on-year increase of 4.1% and reflecting the steady growth of the local catering market in line with the retail environment. According to the statistics released by the Hong Kong Tourism Board, visitor arrivals recorded an year-on-year increase of 2.2% for the first three quarters of year 2017. Coupled with the steady development of the overall local economy, consumer sentiment improved and customers were willing to spend more on specialty catering, which in turn created a huge room for development for the catering industry. Therefore, the Group believes that there will be a steady growth of the catering market in the future and has full confidence in the prospects of the catering market.

For the PRC market, according to the “Annual Report on Catering Industry of China in 2017 (2017年中國餐飲業年度報告)” released by the China Hotel Association, the proportion of high-end consumption declined while mass consumption dominated the mainstream market. In light of the increasing integration of the catering industry with the Internet, the online-to-offline catering market has scaled up. The use of big data and information technology in restaurants has led to a higher degree of intelligence. The changing spending habits of consumers would become the new momentum for the development of catering industry.

Business Review

During the Reporting Period, the Group continued to adopt a strategy of progressing amid stability to expand its restaurant network. As of 30 September 2017, the Group operated a total of 85 restaurants, of which 45 were under the “Fulum (富臨)” main brand, 12 under the “Sportful Garden (陶源)” main brand and 28 under the “Fulum Concept (富臨概念)” main line.

“Fulum (富臨)” main brand and “Sportful Garden (陶源)” main brand remained as the important cornerstone of the Group. The Group will strive to strengthen the development of its core business. Meanwhile, the Group proactively explores more diversified dining experience to meet local catering needs by launching different restaurants under the “Fulum Concept (富臨概念)” main line, including “MeokBang Korean BBQ & Bar (焗八韓烤)” and “Mount Hallasan BBQ (漢拏山烤肉)” specialising in Korean cuisine, “Royal One Pleasant Palace (皇室①號囍臨門)” targeting wedding banquets as well as “Co Co Kitchen (四季文昌)” mainly serving “coconut chicken hotpot in Hainan style”, to keep abreast of the local dining trends. During the Reporting Period, the Group opened restaurants in Causeway Bay and Tseung Kwan O, respectively, under a new brand “Tou Hotpot (饕鍋物)” serving Taiwanese hotpot, which are well-received by diners.

The Group introduced a customer loyalty membership card programme in June 2015. Various membership benefits and privileges are offered to loyal customers of restaurants of “Sportful Garden (陶源)” in Hong Kong to secure their long-term patronage. Currently, there are more than 30,000 members under such membership programme. The Group will provide more membership benefits and privileges in the future in order to increase the number of long-term customers.

For the PRC market, the Group currently operates “Fulum Palace (富臨皇宮)” restaurants in Guangzhou, Zhuhai and Fuzhou, respectively. All of them are located in the densely-populated residential areas and mainly provide mass catering services so as to meet the residents’ demand for Chinese cuisine and wedding venues within the regions. The management believes in the enormous consumption power in the PRC market, and the Group will expand its restaurant network in due course in the future to seize the opportunity arising from the PRC customers’ increasing demand for quality catering experience and service.

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

	As at 30 September	
	2017	2016
<i>Number of restaurants</i>		
“Fulum (富臨)” main brand	45	47
“Sportful Garden (陶源)” main brand	12	12
“Fulum Concept (富臨概念)” main line	28	25
	85	84

Financial Review

Revenue

The total revenue of the Group decreased by approximately 1.2%, or approximately HK\$16.7 million, from approximately HK\$1,398.0 million for the Previous Reporting Period to approximately HK\$1,381.3 million for the Reporting Period. The Group’s businesses are mainly restaurant operations, and sale of food and other operating items.

Revenue from restaurant operations decreased by approximately 1.3%, or approximately HK\$18.0 million, from approximately HK\$1,356.2 million for the Previous Reporting Period to approximately HK\$1,338.2 million for the Reporting Period. The following table sets forth the breakdown of our revenue and % change from restaurant operations by line of business for the periods indicated.

	Six months ended 30 September		% Change
	2017	2016	
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	
<i>Restaurant operations</i>			
“Fulum (富臨)” main brand	960,818	1,026,891	(6.4)
“Sportful Garden (陶源)” main brand	173,181	159,923	8.3
“Fulum Concept (富臨概念)” main line	204,197	169,336	20.6

Revenue from sales of food and other operating items increased by approximately 3.1%, or approximately HK\$1.3 million from approximately HK\$41.8 million for the Previous Reporting Period to approximately HK\$43.1 million for the Reporting Period. The increase was mainly due to the increase in sales of festival food during the Reporting Period.

Other Income and Gains

Other income and gains increased by approximately 2.6%, or approximately HK\$0.2 million from approximately HK\$7.7 million for the Previous Reporting Period to approximately HK\$7.9 million for the Reporting Period. The increase was mainly due to the increase in net exchange gains during the Reporting Period.

Cost of Inventories Sold

The cost of inventories sold by the Group decreased by approximately 4.6%, or approximately HK\$19.1 million from approximately HK\$415.6 million for the Previous Reporting Period to approximately HK\$396.5 million for the Reporting Period. The decrease was mainly due to the decrease in revenue and implementation of effective cost control measures during the Reporting Period.

Gross Profit

Gross profit (gross profit equals revenue minus cost of inventories sold) increased by approximately 0.3%, or approximately HK\$2.5 million from approximately HK\$982.3 million for the Previous Reporting Period to approximately HK\$984.8 million for the Reporting Period. The increase was mainly due to the implementation of effective cost control measures 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 at approximately 71.3% and 70.3%, respectively. The increase was mainly due to the implementation of effective cost control measures during the Reporting Period.

Staff Costs

The staff costs for the Reporting Period and the Previous Reporting Period were approximately HK\$459.4 million and HK\$460.6 million, respectively, representing approximately 33.3% and 32.9% of the respective periods' revenues.

Property Rentals and Related Expenses

The property rentals and related expenses increased by approximately 6.4%, or approximately HK\$16.3 million, from approximately HK\$254.3 million for the Previous Reporting Period to approximately HK\$270.6 million for the Reporting Period. The increase was mainly due to the increase in number of restaurants and increase in rental charges to renew a certain number of tenancy agreements of the Group during the Reporting Period.

Other Expenses

Other expenses decreased by approximately 0.7%, or approximately HK\$0.8 million, from approximately HK\$110.7 million for the Previous Reporting Period to approximately HK\$109.9 million for the Reporting Period. The decrease was mainly due to the decrease in net foreign exchange differences during the Reporting Period.

Finance Costs

The finance costs amounted to approximately HK\$219,000 for the Reporting Period and approximately HK\$401,000 for the Previous Reporting Period. The decrease in finance costs was primarily due to the decrease in the amount of bank borrowings during the Reporting Period.

Income Tax Expense

The effective tax rate increased from approximately 16.6% for the Previous Reporting Period to approximately 18.9% for the Reporting Period.

Profit for the Period and Attributable to Owners of the Company

As a result of the factors discussed above, the profit for the period and attributable to owners of the Company decreased by approximately 31.0%, or approximately HK\$5.2 million, from approximately HK\$16.8 million for the Previous Reporting Period to approximately HK\$11.6 million for the Reporting Period. The decrease was mainly affected by the higher costs of property rentals during the Reporting Period.

Prospects and Outlook

The Group is confident of the long-term prospects of the catering markets in Hong Kong and the PRC and will continue to adopt the strategy of progressing amid stability. In recent years, the landlords of many large shopping malls or shops in core areas have shifted to renting out their shops to catering operators with more stable businesses, rather than relying on retailers of luxury products. As a result, the Group enjoys greater flexibility in identifying locations for its new restaurants and rental negotiations.

In addition, the Group will continue to expand its presence in public housing estates and in the New Territories to diversify its income source. Meanwhile, the Group is also proactively identifying suitable targets for mergers and acquisitions with reference to the local catering trends and the preference of the public in order to provide the diners with better dining experience, and establish itself as a diversified catering kingdom.

As the mass catering market in the PRC continues its rapid development, the Group is rather optimistic towards the long-term development of the market. Guangdong Province will continue to be the focus of the Group's future development strategy in the PRC. The Group will then expand into other major cities throughout the PRC to broaden its customer base.

Liquidity and Financial Resources

We funded our liquidity and capital requirements primarily through capital contributions from shareholders and cash inflows from operating activities. As at 30 September 2017, we had approximately HK\$633.1 million in cash and bank balances available. At as 30 September 2017, the current ratio of the Group was approximately 3.7 (31 March 2017: approximately 3.5).

As at 30 September 2017, the gearing ratio (being the total of finance lease and interest-bearing bank borrowings divided by total equity attributable to the owners of the Company) of the Group decreased to approximately 0.9% (31 March 2017: approximately 2.0%). All of the Group's finance lease and interest-bearing bank borrowings are denominated in Hong Kong dollars.

Material Acquisition or Disposal of Subsidiaries

During the Reporting Period, there was no material acquisition or disposal of subsidiaries undertaken by the Group.

Capital Expenditure and Commitment

The capital expenditure during the Reporting Period was primarily related to expenditures on additions and renovation of property, plant and equipment for our central kitchen and logistics centre and new restaurants and maintenance of existing restaurants.

The capital commitments were related to leasehold improvements and equipment for our restaurants.

Contingent Liabilities

As at 30 September 2017, we had contingent liabilities not provided for in the condensed consolidated interim financial statements in the amount of approximately HK\$57.1 million (31 March 2017: approximately HK\$57.3 million) in relation to bank guarantees given in lieu of rental and utility deposits.

Charges on Group Assets

As at 30 September 2017, the Group has no asset that were pledge to secure its borrowings and/or utilities guarantees. As at 31 March 2017, the Group's certain assets with carrying amount in aggregate of approximately HK\$2.4 million were pledged to secure its bank borrowings and/or utilities guarantees.

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 Period was denominated in currencies other than the functional currency of the relevant subsidiaries.

Human Resources

As at 30 September 2017, the Group had approximately 4,750 employees. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a restaurant operator. During the Reporting Period, we have conducted a series of standardised training and advancement programs for all our 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 advancement programs can provide our staff with clear advancement guidelines and promote employees' satisfaction. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurances and commissions/bonuses.

In addition, the Group also adopted a pre-IPO share option scheme and a post-IPO share option scheme, where eligible employees are entitled to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 September 2017, 44,400,000 options were outstanding under the pre-IPO share option scheme and no share options under the pre-IPO share option scheme had been exercised during the Reporting Period. Also, as at 30 September 2017, no options had been granted or agreed to be granted pursuant to the post-IPO share option scheme.

Dividends

The Board has resolved not to recommend the payment of any dividends for the Reporting Period (Previous Reporting Period: Nil).

Corporate Governance Code

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

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman (the “Chairman”) and the chief executive officer (the “Chief Executive Officer”) of the Company should be separated and should not be performed by the same individual. For the Reporting Period, the Company did not have a separate Chairman and Chief Executive Officer, with Mr. YEUNG Wai (楊維) performing these two roles, as Mr. YEUNG Wai has in-depth experience and knowledge of the Group and its businesses. The Board is of the view that his appointment into 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 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 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

There were no material subsequent events undertaken by the Company or by the Group after 30 September 2017 and up to the date of this announcement.

Audit Committee

During the Reporting Period, Mr. LOCK Kwok On Anthony (駱國安) retired from office as an independent non-executive Director at the conclusion of the annual general meeting held on 22 September 2017 (the “AGM”) and ceased to be, among others, a member of the Audit Committee. With effect of the appointment of Mr. NG Ngai Man Raymond (伍毅文) as an independent non-executive Director on 22 September 2017, he was appointed, among others, as a member of the Audit Committee at the conclusion of the AGM. As a result, the Audit Committee currently comprises three independent non-executive Directors, namely Mr. WU Kam On Keith (鄔錦安) (chairman), Mr. FAN Chun Wah Andrew (范駿華) and Mr. NG Ngai Man Raymond, all of whom possess extensive experience in financial and general management. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

The Audit Committee has discussed the accounting principles and practices adopted by the Company with the management of the Company and has reviewed the unaudited condensed consolidated interim financial statements of the Group for the Reporting Period.

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 period.

By order of the Board of
Fulum Group Holdings Limited
YEUNG WAI

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 15 November 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. Wu Kam On Keith and Mr. Ng Ngai Man Raymond as independent non-executive Directors.