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 2018

HIGHLIGHTS

- Revenue was approximately HK$2,962.0 million (2017: approximately HK$2,966.0 million), representing a decrease of approximately 0.1%
- Gross profit margin[1] was at approximately 70.5% (2017: approximately 71.6%), representing a decrease of approximately 1.1 percentage point
- Earnings before interest expense, tax, depreciation and amortisation was approximately HK$159.8 million (2017: approximately HK$202.7 million), representing a decrease of approximately 21.2%
- Profit for the year attributable to owners of the Company was approximately HK$42.5 million (2017: approximately HK$82.8 million), representing a decrease of approximately 48.7%
- Basic earnings per share[2] was approximately HK3.27 cents (2017: approximately HK6.37 cents), representing a decrease of approximately 48.7%
- The guest count was approximately 27.5 million (2017: approximately 28.7 million), representing a decrease of approximately 4.2%
- The gearing ratio of the Group was approximately 1.2% (2017: approximately 2.0%)
- The Board has recommended a special final dividend of HK3.69 cents per ordinary share and final dividend of HK1.31 cents per ordinary share for the year ended 31 March 2018 (2017: special final – Nil, final – HK2.55 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$42,477,000 (2017: approximately HK$82,842,000) and the weighted average number of ordinary shares of 1,300,000,000 (2017: 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 2018, together with comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**2,961,974**	2,965,974
Other income and gains, net	*5*	**21,269**	19,643
Cost of inventories sold		**(874,762)**	(842,926)
Staff costs		**(977,101)**	(990,064)
Property rentals and related expenses		**(545,771)**	(523,660)
Depreciation		**(98,800)**	(97,529)
Fuel and utility expenses		**(180,472)**	(184,709)
Other expenses		**(245,307)**	(241,515)
Finance costs	*6*	**(622)**	(691)
PROFIT BEFORE TAX	*7*	**60,408**	104,523
Income tax expense	*8*	**(17,931)**	(21,681)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**42,477**	82,842
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	*10*	**HK3.27 cents**	HK6.37 cents
– Diluted	*10*	**HK3.26 cents**	HK6.36 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**42,477**	82,842
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	**6,020**	(3,155)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**48,497**	79,687

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**223,600**	261,362
Goodwill		**58,707**	58,707
Intangible assets		**13,000**	13,000
Deposits		**110,168**	88,341
Deferred tax assets		**21,190**	25,931
Total non-current assets		**426,665**	447,341
CURRENT ASSETS			
Inventories	*12*	**72,088**	78,348
Trade receivables	*13*	**20,906**	8,610
Prepayments, deposits and other receivables		**116,173**	116,166
Tax recoverable		**6,822**	17,801
Pledged time deposit		**71,142**	2,377
Cash and cash equivalents		**623,169**	637,353
Total current assets		**910,300**	860,655
CURRENT LIABILITIES			
Trade payables	*14*	**111,138**	78,489
Other payables, accruals and deferred income		**124,966**	129,162
Interest-bearing bank borrowings		**10,783**	18,467
Finance lease payables		**484**	682
Provision		**12,439**	12,501
Tax payable		**4,910**	9,977
Total current liabilities		**264,720**	249,278
NET CURRENT ASSETS		**645,580**	611,377
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,072,245**	1,058,718

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Accruals and deferred income	**27,371**	27,427
Finance lease payables	**741**	1,225
Provision	**18,300**	20,430
Deferred tax liabilities	**279**	1,082
Total non-current liabilities	**46,691**	50,164
Net assets	**1,025,554**	1,008,554
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**1,300**	1,300
Reserves	**1,024,254**	1,007,254
Total equity	**1,025,554**	1,008,554

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") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 November 2014.

2. BASIS OF PREPARATION

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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on these financial statements. Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 2018 and 2017, and certain non-current asset information as at 31 March 2018 and 2017, by geographical areas.

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**2,850,850**	2,850,405
Mainland China	**111,124**	115,569
	2,961,974	2,965,974

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**283,777**	294,968
Mainland China	**38,024**	38,320
	321,801	333,288

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

Information about major customers

Since no single customer of the Group has contributed over 10% of the Group's total revenue during the year, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

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:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Restaurant operations	**2,892,952**	2,895,682
Sale of food and other operating items	**69,022**	70,292
	2,961,974	2,965,974
Other income and gains, net		
Bank interest income	**3,339**	4,539
Licensing income	**2,086**	2,104
Sponsorship income	**8,314**	8,322
Gain on disposal of subsidiaries	**–**	286
Gain on disposal of items of property, plant and equipment, net	**454**	–
Gain on waiver of reinstatement liabilities	**3,052**	1,689
Foreign exchange differences, net	**1,313**	–
Others	**2,711**	2,703
	21,269	19,643

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loans	**532**	594
Interest on finance leases	**90**	97
	622	691

7. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Lease payments under operating leases:		
Minimum lease payments	**462,610**	439,139
Contingent rents	**1,468**	3,074
	464,078	442,213
Employee benefit expenses (including directors' remuneration)		
Salaries, bonuses and other allowances	**938,971**	941,679
Equity-settled share option expense	**1,653**	10,008
Retirement benefit scheme contributions (defined contribution schemes)	**36,477**	38,377
	977,101	990,064
Impairment of trade receivables	**–**	3,390
Impairment/(reversal of impairment) of other receivables	**(15)**	285
Impairment of items of property, plant and equipment	**287**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	**(454)**	118
Write-off of items of property, plant and equipment	**4,287**	1,567
Foreign exchange differences, net	**(1,313)**	10,604

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 25%) during the year.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**12,528**	18,043
Underprovision/(overprovision) in prior years	**(341)**	26
Current – Mainland China		
Charge for the year	**1,753**	2,694
Deferred	**3,991**	918
Total tax charge for the year	**17,931**	21,681

9. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final 2017 – HK2.55 cents (2017: Final 2016 – HK3.12 cents) per ordinary share	**33,150**	40,560
Dividend proposed after the end of the reporting period:		
Proposed special final 2018 – HK3.69 cents (2017: Proposed special final 2017 – Nil) per ordinary share	**47,970**	–
Proposed final 2018 – HK1.31 cents (2017: Proposed final 2017 – HK2.55 cents) per ordinary share	**17,030**	33,150
	65,000	33,150

The proposed special final dividend and 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$33,150,000 for the year ended 31 March 2017 was approved by the Company's shareholders on 22 September 2017.

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$42,477,000 (2017: HK$82,842,000) and the weighted average number of ordinary shares of 1,300,000,000 (2017: 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$42,477,000 (2017: HK$82,842,000), and the total of (i) the weighted average number of ordinary shares of 1,300,000,000 (2017: 1,300,000,000), as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of 2,060,300 (2017: 2,079,464) 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:

	2018 *HK$'000*	2017 *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**42,477**	82,842
Shares		
Weighted average number of ordinary shares in issue 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	**2,060,300**	2,079,464
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,302,060,300**	1,302,079,464

11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired items of property, plant and equipment amounting to approximately HK$62,085,000 (2017: approximately HK$86,438,000).

12. INVENTORIES

	2018 *HK$'000*	2017 *HK$'000*
Food and beverages	**66,438**	74,209
Other operating items for restaurant operations	**5,650**	4,139
	72,088	78,348

13. TRADE RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Credit card receivables	**10,706**	4,093
Others	**13,011**	7,328
	23,717	11,421
Impairment	**(2,811)**	(2,811)
	20,906	8,610

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 (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 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 provision, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**14,178**	6,605
1 to 3 months	**2,377**	1,268
3 to 12 months	**3,723**	604
Over 12 months	**628**	133
	20,906	8,610

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

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**2,811**	–
Impairment losses recognised (note 7)	**–**	3,390
Amount written off as uncollectible	**–**	(579)
At end of year	**2,811**	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 (2017: HK$2,811,000) with a carrying amount before provision of HK$2,811,000 (2017: HK$2,811,000).

14. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**74,693**	65,005
1 to 3 months	**35,075**	12,495
3 to 12 months	**1,043**	949
Over 12 months	**327**	40
	111,138	78,489

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:

	2018	2017
	HK$'000	*HK$'000*
Bank guarantees given in lieu of rental and utility deposits	**48,842**	57,347

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 payments under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**317,869**	308,471
In the second to fifth years, inclusive	**367,949**	359,614
Beyond five years	**62,721**	32,113
	748,539	700,198

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.

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**183,078**	–

18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company, through its indirectly wholly-owned subsidiaries, entered into certain cooperative agreements with independent third parties to setup two companies which are involved in the operation of seven restaurants in Hong Kong. The Group holds 19% equity interest in each of these two companies with initial share capital of HK$15,000 and shareholder's loan of HK$9,915,000 contributed by the Group in aggregate.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

At present, the global economy is ridden with uncertainties, while inflation is rising in Hong Kong. According to the data released by the Census and Statistics Department of Hong Kong, the underlying consumer price inflation rate increased from 1.4% in the first quarter of last year to 2.4% in the first quarter of this year. Amongst the various Consumer Price Index components, food (excluding meals bought away from home) recorded the most significant rise in the Consumer Price Index, with an increase of 4.9% compared with the same period last year. In the meantime, economic instability may lead to higher prices of commodities and food ingredients, posing certain pressure to the catering industry. However, after netting out the effect of price changes over the period, the provisional estimate of the volume of total restaurant receipts increased by 6.9% in the first quarter of 2018 as compared with the corresponding quarter of last year. Despite great market volatility, the Group is still full of confidence towards the prospects of the industry and continues to implement prudent and positive development strategies in response to the challenges.

For the PRC market, according to the "Annual Report on Catering Industry of China in 2018 (2018年中國餐飲業年度報告)" released by the China Hotel Association, the revenue of the catering industry in the PRC in 2017 exceeded RMB3.9 trillion, representing an increase of 10.7% year on year. The China Cuisine Association forecasts that in 2018, the whole consumer market and catering market will have a stable development. The annual growth rate of the catering industry will be maintained at approximately 10.0%, with an expectation that the revenue will reach RMB4.3 trillion. 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 a new industry norm.

Business Review

During the year under review, the Group continued to adopt proactive and aggressive expansion strategy to establish new restaurants and to actively explore diversifying catering brands to gratify local catering needs and enhance customers' dining experience. During the year under review, the Group has opened one restaurant under the "Fulum (富臨)" main brand and four restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong. As of 31 March 2018, the Group owned a total of 83 restaurants, among which 80 Group-owned restaurants were in Hong Kong, including 40 restaurants under the "Fulum (富臨)" main brand, 11 restaurants under the "Sportful Garden (陶源)" main brand and 29 restaurants under the "Fulum Concept (富臨概念)" main line, and 3 Group-owned restaurants under the "Fulum (富臨)" main brand were 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 the "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)", "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 the "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)" specialising in Korean cuisine, and "Co Co Kitchen (四季文昌)", "Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家)", "Winter Steam Pot Restaurant (正冬火鍋料理)", "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. During the year under review, the Group introduced two new brands, including "FL Fusion (富臨薈)" opened in Sha Tin which leads with the contemporary twist to the concept of traditional Chinese culinary practice; and "Cafe Coco (加多樂餐廳)" currently opened in To Kwa Wan which offers local bing sutt fast food.

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 45,000 members in total 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. Believing in the enormous consumption power in the PRC market, the Group will open new restaurants in due course in the future to provide PRC citizens with quality catering experience and services.

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

	2018	2017
Number of restaurants (As at 31 March)		
"Fulum (富臨)" main brand	**43**	46
"Sportful Garden (陶源)" main brand	**11**	12
"Fulum Concept (富臨概念)" main line	**29**	27
Total	**83**	85

Financial results

During the year under review, the Group's revenue decreased by approximately 0.1% to approximately HK$2,962.0 million (2017: approximately HK$2,966.0 million) from last year.

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:

	2018	2017	**% Change**
	HK$'000	*HK$'000*	
Restaurant operations			
"Fulum (富臨)" main brand	**2,065,371**	2,138,701	**(3.4)**
"Sportful Garden (陶源)" main brand	**396,553**	383,398	**3.4**
"Fulum Concept (富臨概念)" main line	**431,028**	373,583	**15.4**
Sale of food and other operating items	**69,022**	70,292	**(1.8)**

During the year under review, the Group's gross profit margin was approximately 70.5% for the year (2017: approximately 71.6%). The profit attributable to owners of the Company decreased by approximately 48.7%, or approximately HK$40.4 million, from approximately HK$82.8 million for the year ended 31 March 2017 to approximately HK$42.5 million for the year ended 31 March 2018. The decreases were mainly due to the increase in the cost of food and beverages used in the operation and the increase in the property rentals and related expenses incurred for the renewal of the Group's existing leased properties and the addition of five restaurants during the year under review. The Group's management has implemented strategies in response to the abovementioned circumstances and believes that the Group's performance will gradually improve in the future.

Prospects and Outlook

The Group is confident of the long-term prospects of the catering market in Hong Kong and the PRC, and will continue to adopt proactive and aggressive strategy to adjust its cuisine offerings and brand structure, reduce the size or number of some of the larger restaurants and enhance the proportion of restaurants under the "Fulum Concept (富臨概念)" main line. Meanwhile, the Group is proactively looking for the opportunity of mergers and acquisitions and continues to identify different catering brands, in particular Asian catering brands as targets for mergers and acquisitions, and thus establishes Fulum Group as a diversified catering kingdom.

For the PRC market, as the mass catering market in the PRC continues its rapid development, the Group is optimistic towards the long-term development of the market. Looking forward, the Group will continue to increase the number of restaurants in the PRC prudently to broaden its customer base and expand its market share.

Financial resources and liquidity

As at 31 March 2018, the Group's total assets increased to approximately HK$1,337.0 million (2017: approximately HK$1,308.0 million) while the total equity increased to approximately HK$1,025.6 million (2017: approximately HK$1,008.6 million).

As at 31 March 2018, the Group had approximately HK$623.2 million in cash and bank balances available (2017: approximately HK$637.4 million). The current ratio of the Group was approximately 3.4 (2017: approximately 3.5).

As at 31 March 2018, the Group's total borrowings amounted to approximately HK$12.0 million (2017: approximately HK$20.4 million), which mainly consisted of finance leases in the amount of approximately HK$1.2 million (2017: approximately HK$1.9 million) and a tax loan of approximately HK$10.8 million (2017: approximately HK$18.5 million). These finance lease liabilities were denominated in Hong Kong dollars and the effective interest rates ranged from approximately 3.6% to 6.6% while a tax loan was denominated in Hong Kong dollars with effective interest rate of approximately 2.7% per annum and were repayable within one year. There are no material covenants relating to these outstanding indebtedness.

As at 31 March 2018, 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 1.2% (2017: approximately 2.0%).

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 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 and the acquisition of a property.

Contingent liabilities

As at 31 March 2018, the Group had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK$48.8 million in relation to bank guarantees given in lieu of rental and utility deposits (2017: approximately HK$57.3 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 2018, the Group had approximately 4,530 employees. The Group believe 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.

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 2018, 43,450,000 options (2017: 45,280,000 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 2018, 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 2018, certain assets of the Group with carrying amount in aggregate of approximately HK$71.1 million (2017: approximately HK$2.4 million) were pledged to secure its bank borrowings and/or utilities guarantees.

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 has recommended a special final dividend of HK3.69 cents per ordinary share and a final dividend of HK1.31 cents per ordinary share for the year ended 31 March 2018 (2017: special final – Nil, final – HK2.55 cents per ordinary share) to shareholders whose names appear on the register of members of the Company on 5 September 2018. The special final and 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 five 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 corporate governance code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Throughout the year ended 31 March 2018, 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 2018 and up to the date of this announcement.

Purchases, sale or redemption of listed securities

For the year ended 31 March 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Events after the year under review

Save as disclosed in note 18 in this announcement, there are no other material subsequent events undertaken by the Group after 31 March 2018 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 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. Currently, Mr. Fan Chun Wah Andrew (范駿華), Mr. Wu Kam On Keith (鄔錦安) and Mr. Ng Ngai Man Raymond (伍毅文), 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 2018 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. The Audit Committee has reviewed the Group's consolidated statements for the year ended 31 March 2018. 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 disclosure have been made.

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 2018 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 2018. 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.

Closure of register of members

Subject to the approval of shareholders at the meeting, the proposed special final and final dividends will be payable on or about Monday, 10 September 2018 to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Wednesday, 5 September 2018, and the register of members of the Company will be closed from Monday, 3 September 2018 to Wednesday, 5 September 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed special final and final dividends, 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 Friday, 31 August 2018 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
Fulum Group Holdings Limited
YEUNG WAI
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 27 June 2018

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.