Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2018

HIGHLIGHTS

- Revenue was approximately HK$1,276.0 million (corresponding period in 2017: approximately HK$1,381.3 million), representing a decrease of approximately 7.6%
- Gross profit margin[1] was at approximately 70.7% (corresponding period in 2017: approximately 71.3%), representing a decrease of approximately 0.6 percentage point
- Earnings before interest, tax, depreciation and amortisation was approximately HK$55.9 million (corresponding period in 2017: approximately HK$60.0 million), representing a decrease of approximately 6.8%
- Profit attributable to owners of the Company was approximately HK$12.7 million (corresponding period in 2017: approximately HK$11.6 million), representing an increase of approximately 9.0%
- Basic earnings per share[2] was HK0.98 cents (corresponding period in 2017: HK0.90 cents), representing an increase of approximately 8.9%
- The guest count was approximately 12.6 million (corresponding period in 2017: approximately 13.9 million), representing a decrease of approximately 9.4%
- The gearing ratio[3] of the Group was down to approximately 0.8% (31 March 2018: approximately 1.2%)
- The Board has resolved to declare a special dividend of HK3.5 cents per ordinary shares of the Company

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$12,693,000 (corresponding period in 2017: approximately HK$11,647,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2017: 1,300,000,000) in issue during the Reporting 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 2018 (the "Reporting Period") together with comparative figures for the corresponding period in 2017 (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 2018

	Notes	**Six months ended 30 September**	
		2018	2017
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
REVENUE	*5*	**1,275,987**	1,381,273
Other income and gains, net	*5*	**9,791**	7,853
Cost of inventories sold		**(373,789)**	(396,522)
Staff costs		**(424,172)**	(459,448)
Property rentals and related expenses		**(243,679)**	(270,587)
Depreciation		**(39,770)**	(45,379)
Fuel and utility expenses		**(82,662)**	(92,680)
Other expenses		**(105,591)**	(109,938)
Finance costs	*6*	**(210)**	(219)
PROFIT BEFORE TAX	*7*	**15,905**	14,353
Income tax expense	*8*	**(3,103)**	(2,706)
PROFIT FOR THE PERIOD		**12,802**	11,647
Attributable to:			
Owners of the Company		**12,693**	11,647
Non-controlling interests		**109**	–
		12,802	11,647
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	*10*	**HK0.98 cents**	HK0.90 cents
– Diluted	*10*	**HK0.98 cents**	HK0.89 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**12,802**	11,647
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	**(5,874)**	2,111
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**6,928**	13,758
Attributable to:		
Owners of the Company	**6,819**	13,758
Non-controlling interests	**109**	–
	6,928	13,758

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2018

	Notes	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**222,134**	223,600
Goodwill		**58,707**	58,707
Intangible assets		**13,000**	13,000
Deposits and other receivables		**138,063**	110,168
Deferred tax assets		**21,424**	21,190
Total non-current assets		**453,328**	426,665
CURRENT ASSETS			
Inventories	*12*	**88,127**	72,088
Trade receivables	*13*	**29,934**	20,906
Prepayments, deposits and other receivables		**120,311**	116,173
Tax recoverable		**8,348**	6,822
Pledged time deposit		**–**	71,142
Cash and cash equivalents		**506,307**	623,169
Total current assets		**753,027**	910,300
CURRENT LIABILITIES			
Trade payables	*14*	**77,252**	111,138
Other payables, accruals and deferred income		**93,322**	124,966
Interest-bearing bank borrowings		**7,113**	10,783
Finance lease payables		**450**	484
Provision		**10,391**	12,439
Tax payable		**5,282**	4,910
Total current liabilities		**193,810**	264,720
NET CURRENT ASSETS		**559,217**	645,580
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,012,545**	1,072,245

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
NON-CURRENT LIABILITIES		
Accruals and deferred income	**27,428**	27,371
Finance lease payables	**529**	741
Provision	**14,749**	18,300
Deferred tax liabilities	**671**	279
Total non-current liabilities	**43,377**	46,691
Net assets	**969,168**	1,025,554
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**1,300**	1,300
Reserves	**967,159**	1,024,254
	968,459	1,025,554
Non-controlling interests	**709**	–
Total equity	**969,168**	1,025,554

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 2018 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 2018.

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 2018, except for the adoption of the following new and 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 2	*Classification and Measurement of Share – based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings as at 1 April 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

Except for the reclassification effect and the presentation and disclosure requirements below, the adoption of HKFRS 15 did not have significant financial impact on the unaudited condensed consolidated interim financial statements.

Reclassifications were made as at 1 April 2018 to be consistent with the terminology used under HKFRS 15 and, accordingly, advances received from customers of HK$9,388,000 were reclassified from accruals to contract liabilities under other payables, accruals and deferred income.

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the previous HKAS 18 *Revenue*. Under HKFRS 15, the Group has disaggregated revenue recognised from contracts with customers into categories based on the nature of the revenue and the geographical locations of the customers.

HKFRS 9 ***Financial Instruments***

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has elected not to adjust the comparative information for the period beginning 1 April 2017, which the comparative information was prepared under classification and measurement requirements of HKAS 39.

(a) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the"SPPI criterion").

The new classification and measurement of the Group's debt financial assets are debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables and other receivables.

The assessment of the Group's business models was made as of the date of initial application i.e., 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

(b) Impairment

HKFRS 9 requires an impairment on trade receivables and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trades receivables. Furthermore, the Group applied general approach and recorded twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 2018 and 2017, and certain non-current assets information as at 30 September 2018 and 31 March 2018, by geographical areas.

(a) *Revenue from external customers*

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Hong Kong	**1,228,672**	1,332,318
Mainland China	**47,315**	48,955
	1,275,987	1,381,273

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

(b) *Non-current assets*

	30 September	31 March
	2018	2018
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Hong Kong	**318,012**	283,777
Mainland China	**40,385**	38,024
	358,397	321,801

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

Information about Major Customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue		
Restaurant operations	**1,240,202**	1,338,196
Sale of food and other operating items	**35,785**	43,077
	1,275,987	1,381,273
Other income and gains, net		
Bank interest income	**1,943**	1,577
Licensing income	**914**	1,039
Sponsorship income	**3,234**	3,308
Foreign exchange differences, net	**–**	718
Gain on disposal of items of property, plant and equipment, net	**1,746**	–
Gain on wavier of a reinstatement liability	**454**	–
Others	**1,500**	1,211
	9,791	7,853

An analysis of the disaggregation of revenue by geographical locations of the customers is as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Hong Kong	**1,228,672**	1,332,318
Mainland China	**47,315**	48,955
	1,275,987	1,381,273

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank overdrafts and bank loan	**178**	169
Interest on finance leases	**32**	50
	210	219

7. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Lease payments under operating leases:		
Minimum lease payments	**205,497**	229,042
Contingent rents	**467**	241
	205,964	229,283
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	**406,923**	436,489
Equity-settled share option expense	**1,086**	4,961
Retirement benefit scheme contributions (defined contribution scheme)	**16,163**	17,998
	424,172	459,448
Foreign exchange differences, net	**322**	(718)
Write-off of items of property, plant and equipment*	**278**	–

* This item was included in "Other expenses" in the condensed consolidated statement of profit or loss.

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 2017: 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 2017: 25%) during the current period.

9. DIVIDEND

The proposed special final dividend of HK3.69 cents per ordinary share and a final dividend of HK1.31 cents per ordinary shares, totalling approximately HK$65,000,000, for the year ended 31 March 2018 was approved by the Company's shareholders on 28 August 2018.

The Board has resolved to declare a one-off special dividend of HK3.5 cents per ordinary shares of the Company.

The proposed special dividend has been approved at the Company's board meeting held on 28 November 2018.

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

The calculation of the basic earnings per share amounts is based on the profit for the six months ended 30 September 2018 attributable to ordinary equity holders of the Company of HK$12,693,000 (six months ended 30 September 2017: HK$11,647,000) and the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2017: 1,300,000,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the six months ended 30 September 2018 attributable to ordinary equity holders of the Company of HK$12,693,000 (six months ended 30 September 2017: HK$11,647,000), and the total of (i) the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2017: 1,300,000,000), as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of Nil (six months ended 30 September 2017: 2,753,948) 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	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**12,693**	11,647

	Number of Shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue 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	**–**	2,753,948
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,300,000,000**	1,302,753,948

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of HK$44,420,000 (six months ended 30 September 2017: HK$22,422,000).

12. INVENTORIES

	30 September	31 March
	2018	2018
	HK$'000	HK$'000
	(Unaudited)	(Audited)
Food and beverages	**82,645**	66,438
Other operating items for restaurant operations	**5,482**	5,650
	88,127	72,088

13. TRADE RECEIVABLES

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Credit card receivables	**10,870**	10,706
Others	**21,875**	13,011
	32,745	23,717
Impairment	**(2,811)**	(2,811)
	29,934	20,906

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 2018: 30 to 60 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Within 1 month	**24,254**	14,178
1 to 3 months	**3,526**	2,377
3 to 12 months	**1,828**	3,723
Over 12 months	**326**	628
	29,934	20,906

14. TRADE PAYABLES

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

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Within 1 month	**43,962**	74,693
1 to 3 months	**28,200**	35,075
3 to 12 months	**3,662**	1,043
Over 12 months	**1,428**	327
	77,252	111,138

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, contingent liabilities not provided for in the financial statements were as follows:

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Bank guarantees given in lieu of rental and utility deposits	**53,280**	48,842

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 falling due as follows:

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Within one year	**336,530**	317,869
In the second to fifth years, inclusive	**350,135**	367,949
Beyond five years	**54,690**	62,721
	741,355	748,539

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:

	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**200**	9,037

In addition, on 28 March 2018, the Company, through its indirect wholly-owned subsidiary, entered into a provisional agreement and a commitment letter with an independent third party to acquire a property (which is currently under construction) and the right to name the Chinese name of the development to be erected in or upon all that piece of ground registered in Hong Kong for an aggregate cash consideration of HK$194,712,000 (collectively, the "Acquisition"). As at 30 September 2018, an aggregate amount of deposits of HK$48,678,000 (31 March 2018: HK$20,671,000) was made by the Group in respect of the Acquisition. The remaining balance of the consideration of HK$146,034,000 will be paid upon the completion of the Acquisition which is expected to be in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Robust sales figures appeared to set a positive tone for the local retail industry, with the total retail sales in Hong Kong for the first nine months of 2018 continued to record an overall increase, while the total revenue of restaurants for the second quarter of 2018 registered a year-on-year increase of approximately 6.6%. Yet, the global economy was fraught with uncertainties bred by the trade war this year and the market adopted a wait-and-see attitude towards the developments. Given the escalating global inflation, the Composite Consumer Price Index (the "Index") for the third quarter of 2018 in Hong Kong rose by 2.5%, i.e. the underlying inflation rate, compared with the same period in 2017, of which the food (excluding meals bought away from home) category in particular recorded a significant rise in the Index, with a year-on-year increase of approximately 4.8%. As the market forecast tends to be more conservative towards economic growth, coupled with rising prices of commodities and food ingredients, the catering industry is put under operating pressure. Despite great market volatility, the Group believes that there will be a steady growth of the catering market in the future and continues to implement a strategy of change amidst stability 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 proportion of high-end consumption declined while mass consumption dominated the mainstream market during the Reporting Period. As consumers' income rises and the middle class expands, the move towards diversity of the catering consumption structure gathers pace, and the industry offers distinctive yet better quality services. Moreover, online take-out market maintains rapid growth and quality catering brands play a distinct leadership role. The catering industry has played a strong role in expanding domestic demand, promoting consumption, stabilising growth, and benefiting people's livelihood. The catering market continues to show steady growth momentum.

Business Review

During the Reporting Period, local catering needs remained stable. The Group continued to adopt prudent yet change-seeking strategy in tuning its restaurant portfolio to actively diversify various brands under the "Fulum Concept (富臨概念)" main line to gratify changing needs in local catering market and enhance customers' dining experience. During the Reporting Period, the Group has opened six restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong and one "Fulum Palace (富臨皇宮)" restaurant in the Mainland. As of 30 September 2018, the Group owned a total of 79 restaurants, including 33 restaurants under the "Fulum (富臨)" main brand, 11 restaurants under the "Sportful Garden (陶源)" main brand and 31 restaurants under the "Fulum Concept (富臨概念)" main line, in Hong Kong and 4 restaurants under the "Fulum (富臨)" main brand in the Mainland.

"Fulum (富臨)" main brand and "Sportful Garden (陶源)" main brand are important cornerstone of the Group. Currently, restaurants under the "Fulum (富臨)" main brand, including "Fulum Palace (富臨皇宮)", "Fulum Restaurant (富臨酒家)", "Fulum Fisherman's Wharf Restaurant (富臨漁港)",

"Fulum (富臨)", "Fulum (富臨粵之味)", "Royal One (皇室①號)", "Pleasant Palace (囍臨門酒家)" and "Banquet Palace (金皇廷囍宴)", provide Cantonese cuisine for mass market customers, while restaurants under the "Sportful Garden (陶源)" main brand focus on mid to 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 "Meokbang Taste (炑八Taste)" specialising in Korean cuisine and "Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家)", "Winter Steam Pot Restaurant (正冬火焗料理)", "Co Co Kitchen (四季文昌)" and "Winter Yutango Restaurant (正冬魚塘公)" which mainly serve hotpot cuisine. During the Reporting Period, a number of catering brands were newly launched under the "Fulum Concept (富臨概念)" main line, including "The Charcoal Room (柞木炭家)", a high-end Korean grill house currently opened in Mong Kok which offers food grilled over quality charcoal instead of being served on a cast iron plate; "Café Coco (加多樂餐廳)" opened in San Po Kong and "Lung Mun Cafe (龍門冰室)" opened in Tuen Mun and Aberdeen which both offer local bing sutt fast food; and "COTI" currently opened in Kwun Tong featuring quality coffee and tasty healthy light meals which is well-received by neighbouring office workers and is expected to increase the number of restaurants.

The Group introduced a membership card programme in 2015 in the restaurants of "Sportful Garden (陶源)" as a reward for loyal customers to accumulate credit points to redeem for value-added benefits and gifts. Currently, there are more than 48,000 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 Mainland market, the Group will open new restaurants in due course in the future to provide the Mainland citizens with quality catering experience and services.

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

	As at 30 September	
	2018	2017
Number of restaurants		
"Fulum (富臨)" main brand	**37**	45
"Sportful Garden (陶源)" main brand	**11**	12
"Fulum Concept (富臨概念)" main line	**31**	28
	79	85

Financial Review

Revenue

The total revenue of the Group decreased by approximately 7.6%, or approximately HK$105.3 million, from approximately HK$1,381.3 million for the Previous Reporting Period to approximately HK$1,276.0 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 7.3%, or approximately HK$98.0 million, from approximately HK$1,338.2 million for the Previous Reporting Period to approximately HK$1,240.2 million for the Reporting Period. The following table sets forth the breakdown of our revenue and percentage change from restaurant operations by line of business for the periods indicated.

	Six months ended 30 September		
	2018	2017	**% Change**
	HK$'000	HK$'000	
	(unaudited)	(unaudited)	
Restaurant operations			
"Fulum (富臨)" main brand	**864,452**	960,818	**(10.0)**
"Sportful Garden (陶源)" main brand	**161,697**	173,181	**(6.6)**
"Fulum Concept (富臨概念)" main line	**214,053**	204,197	**4.8**

Revenue from sales of food and other operating items decreased by approximately 16.9%, or approximately HK$7.3 million from approximately HK$43.1 million for the Previous Reporting Period to approximately HK$35.8 million for the Reporting Period. The decrease was mainly due to the decrease in sales of festival food during the Reporting Period.

Other Income and Gains, Net

Other income and gains, net increased by approximately 24.7%, or approximately HK$1.9 million from approximately HK$7.9 million for the Previous Reporting Period to approximately HK$9.8 million for the Reporting Period. The increase was mainly due to the increase in gain on disposal of property, plant and equipment during the Reporting Period.

Cost of Inventories Sold

The cost of inventories sold by the Group decreased by approximately 5.7%, or approximately HK$22.7 million from approximately HK$396.5 million for the Previous Reporting Period to approximately HK$373.8 million for the Reporting Period. The decrease was mainly due to the decrease in revenue during the Reporting Period.

Gross Profit

Gross profit (gross profit equals revenue minus cost of inventories sold) decreased by approximately 8.4%, or approximately HK$82.6 million from approximately HK$984.8 million for the Previous Reporting Period to approximately HK$902.2 million for the Reporting Period. The decrease was mainly due to the decrease in revenue and the increase in the cost of food and beverages used in the operation 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 70.7% and 71.3%, respectively. The decrease was mainly due to the increase in the cost of food and beverages used in the operation during the Reporting Period.

Staff Costs

The staff costs for the Reporting Period and the Previous Reporting Period were approximately HK$424.2 million and HK$459.4 million, respectively, representing approximately 33.2% and 33.3% of the respective periods' revenues.

Property Rentals and Related Expenses

The property rentals and related expenses decreased by approximately 9.9%, or approximately HK$26.9 million, from approximately HK$270.6 million for the Previous Reporting Period to approximately HK$243.7 million for the Reporting Period. The decrease was mainly due to the decrease in number of restaurants of the Group during the Reporting Period.

Other Expenses

Other expenses decreased by approximately 4.0%, or approximately HK$4.3 million, from approximately HK$109.9 million for the Previous Reporting Period to approximately HK$105.6 million for the Reporting Period. The decrease was mainly due to the decrease in number of restaurants during the Reporting Period.

Finance Costs

The finance costs amounted to approximately HK$210,000 for the Reporting Period and approximately HK$219,000 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 18.9% for the Previous Reporting Period to approximately 19.5% for the Reporting Period.

Profit attributable to Owners of the Company

As a result of the factors discussed above, the profit attributable to owners of the Company increased by approximately 9.0%, or approximately HK$1.1 million, from approximately HK$11.6 million for the Previous Reporting Period to approximately HK$12.7 million for the Reporting Period.

Prospects and Outlook

The Group is confident of the long-term prospects of the catering market in Hong Kong and the PRC. It will continue to adopt proactive and aggressive strategy to adjust its restaurant and brand portfolios in a timely manner and identify suitable locations for launching more restaurants of different themes. In the meantime and the Group will look to establish more new catering brands through which to expand the restaurant portfolio under the "Fulum Concept (富臨概念)" main line in order to establish Fulum Group as a diversified catering kingdom. In addition to restaurant operation, the Group is proactively looking to build a new catering business operating model to increase and diversify its income source.

For the PRC market, a restaurant under the "Fulum (富臨)" main brand has been newly opened by the Group in Baiyun District, Guangzhou during the Reporting Period. As the mass catering market in the Mainland continues its rapid development, the Group is optimistic towards the long-term development of the market. Looking forward, Guangdong Province will continue to be the focus of the Group's development strategy in the PRC. The Group will then expand into other major cities throughout the PRC to broaden its customer base and increase its market share nationwide.

Dividend

The Board has resolved not to recommend the payment of any interim dividend for the Reporting Period (corresponding period in 2017: Nil).

After taking into consideration of the existing financial position of the Group and to commemorate the 4th listing anniversary of the Company, the Board considers the Company has sufficient cash flow to pay one-off special dividend to reward the shareholders of the Company (the "Shareholder(s)"). The Board has resolved to declare a special dividend of HK3.5 cents per ordinary shares of the Company. The special dividend will be payable on around Thursday, 27 December 2018 to the Shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 14 December 2018.

The special dividend as declared should not be taken as an indication of the level of profit or dividend for the full year of the Company.

Closure of Register of Members

For the purpose of determining the entitlement to the special dividend for the Reporting Period, the Company's register of members will be closed from Thursday, 13 December 2018 to Friday, 14 December 2018, both days inclusive, during which no transfer of shares will be registered. In order for a Shareholder to qualify for the special 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 no later than 4:30 p.m. on Wednesday, 12 December 2018 for registration.

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 (the "Stock Exchange"). 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, 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 2018 and up to the date of this announcement.

Audit Committee

The Company established the Audit Committee on 28 October 2014 with the revised written terms of reference adopted on 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. Mr. Fan Chun Wah Andrew, Mr. Wu Kam On Keith and Mr. Ng Ngai Man Raymond, all being independent non-executive Directors, are members of the Audit Committee with Mr. Wu Kam On Keith, being the chairman.

The Group's unaudited condensed consolidated interim financial statements for the Reporting Period have not been audited, but have been reviewed by the Audit Committee. Based on this review and discussions with the management, the Audit Committee was satisfied that the unaudited condensed consolidated interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 September 2018.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the Company's website (www.fulumgroup.com) and the Stock Exchange's website (www.hkexnews.hk). The interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

Appreciation

The Board would like to thank the management and the staff of the Group for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditor for their support to the Group throughout the Reporting Period.

By order of the Board of
Fulum Group Holdings Limited
YEUNG WAI
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 November 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.