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 2020

HIGHLIGHTS

- Revenue was approximately HK$1,853.9 million (2019: approximately HK$2,627.2 million), representing a decrease of approximately 29.4%
- Gross profit margin[1] was at approximately 65.3% (2019: approximately 70.4%), representing a decrease of approximately 5.1 percentage point
- Loss before interest expense, tax, depreciation and amortisation was approximately HK$266.7 million (2019: earnings of approximately HK$126.6 million)
- Loss for the year attributable to owners of the Company was approximately HK$637.5 million (2019: profit of approximately HK$25.5 million)
- Basic loss per share[2] was approximately HK49.04 cents (2019: basic earnings per share of approximately HK1.96 cents)
- The guest count was approximately 18.0 million (2019: approximately 24.2 million), representing a decrease of approximately 25.6%
- The gearing ratio of the Group was approximately 33.0% (2019: approximately 0.1%)
- The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: special final – Nil, final – HK0.79 cent 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/(loss) per share amounts is based on loss for the year attributable to ordinary equity holders of the Company of HK$637,476,000 (2019: profit of HK$25,496,000) and 1,300,000,000 (2019: 1,300,000,000) ordinary shares in issue during the year.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Fulum Group Holdings Limited (the "**Company**", together with its subsidiaries collectively, the "**Group**"), hereby announces the consolidated results of the Group for the year ended 31 March 2020, together with comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000*
REVENUE	*5*	**1,853,918**	2,627,192
Other income and gains, net	*5*	**36,121**	18,104
Cost of inventories sold		**(642,780)**	(778,226)
Staff costs		**(683,798)**	(880,271)
Property rentals and related expenses		**(188,374)**	(471,443)
Depreciation of right-of-use assets		**(245,363)**	–
Depreciation of property, plant and equipment		**(79,630)**	(85,514)
Fuel and utility expenses		**(121,430)**	(157,953)
Other expenses		**(250,248)**	(227,122)
Losses from impairment/write-off of non-financial assets		**(241,592)**	(1,571)
Losses from impairment/write-off of financial assets		**(28,562)**	(2,137)
Finance costs	*6*	**(25,344)**	(345)
PROFIT/(LOSS) BEFORE TAX	*7*	**(617,082)**	40,714
Income tax expense	*8*	**(20,021)**	(15,134)
PROFIT/(LOSS) FOR THE YEAR		**(637,103)**	25,580
Attributable to:			
Owners of the Company		**(637,476)**	25,496
Non-controlling interests		**373**	84
		(637,103)	25,580
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	*10*	**HK(49.04) cents**	HK1.96 cents
– Diluted	*10*	**HK(49.04) cents**	HK1.96 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(637,103)**	25,580
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**(3,031)**	(4,131)
OTHER COMPREHENSIVE LOSS FOR THE YEAR NET OF TAX	**(3,031)**	(4,131)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(640,134)**	21,449
Attributable to:		
Owners of the Company	**(640,507)**	21,365
Non-controlling interests	**373**	84
	(640,134)	21,449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**122,020**	201,433
Investment properties	11	**189,600**	–
Right-of-use assets		**290,334**	–
Goodwill		**–**	58,707
Intangible assets		**–**	13,000
Deposits and other receivables		**69,672**	147,349
Deferred tax assets		**–**	20,671
Total non-current assets		**671,626**	441,160
CURRENT ASSETS			
Inventories	12	**85,067**	86,420
Trade receivables	13	**8,928**	24,182
Prepayments, deposits and other receivables		**110,066**	148,385
Financial assets at fair value through profit or loss		**10,767**	–
Tax recoverable		**8,491**	5,351
Cash and cash equivalents		**116,412**	496,922
Total current assets		**339,731**	761,260
CURRENT LIABILITIES			
Trade payables	14	**36,996**	88,808
Other payables, accruals and deferred income		**78,921**	117,967
Interest-bearing bank borrowings		**94,594**	400
Lease liabilities		**260,710**	–
Finance lease payables		**–**	389
Provision		**6,760**	4,994
Tax payable		**5,517**	8,853
Total current liabilities		**483,498**	221,411
NET CURRENT ASSETS/(LIABILITIES)		**(143,767)**	539,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**527,859**	981,009

	2020	2019
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Accruals and deferred income	**3,522**	22,269
Lease liabilities	**223,781**	–
Finance lease payables	**–**	352
Provision	**12,918**	19,048
Deferred tax liabilities	**744**	985
Total non-current liabilities	**240,965**	42,654
Net assets	**286,894**	938,355
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**1,300**	1,300
Reserves	**285,594**	936,371
	286,894	937,671
Non-controlling interests	**–**	684
Total equity	**286,894**	938,355

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

These 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 (the "**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, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

In preparing the Group's consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$143,767,000 as at 31 March 2020; and the breach of covenant clauses in respect of outstanding bank loans of HK$77,762,000 presented under current liabilities in the consolidated statement of financial position as at 31 March 2020. In order to strengthen the Group's liquidity in the foreseeable future, the Directors have taken measures including closing down under-performing restaurants; and implementing various cost control measures, in order to tighten the costs of operations.

In addition, taking into account a number of sources of finance available to fund its operations including government subsidies, future operating cash inflows and realisation of investment properties when necessary; and the new bank facilities of approximately HK$89 million granted to the Group in June 2020, which are repayable after one year from the drawdown date, the Directors consider that the Group will have sufficient working capital to finance its operations and be able to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards adopted by the Group

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendment to HKFRS 16	*Covid-19 Related Rent Concessions**
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

* Early adopted by the Group in the current year's financial statements

Other than as explained below regarding the impact of HKFRS 16, Amendment to HKFRS 16 and HK(IFRIC)-Int 23, the adoption of the above new and revised standards has had no significant financial effect on the financial statements.

The nature and the impact of HKFRS 16, Amendment to HKFRS 16 and HK(IFRIC)-Int 23 are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For sublease arrangements, the classification of the subleases is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as adjustments to the opening balances as at 1 April 2019, and the comparative information for 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of buildings and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019, and were presented separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the leased assets recognised previously under finance leases of HK$303,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 April 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 April 2019

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	HK$'000
Assets	
Increase in right-of-use assets	529,890
Decrease in property, plant and equipment	(303)
Decrease in prepayments, deposits and other receivables	(2,273)
Increase in total assets	527,314
Liabilities	
Increase in lease liabilities	554,001
Decrease in other payables, accruals and deferred income	(25,946)
Decrease in finance lease payables	(741)
Increase in total liabilities	527,314

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK$'000
Operating lease commitments as at 31 March 2019	739,684
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(143,898)
	595,786
Weighted average incremental borrowing rate as at 1 April 2019	4.3%
Discounted operating lease commitments at 1 April 2019	553,260
Add: Finance lease liabilities recognised as at 31 March 2019	741
Lease liabilities as at 1 April 2019	554,001

(b) The Group has early adopted amendment to HKFRS 16 *Covid-19-Related Rent Concessions* which provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the year ended 31 March 2020, certain lease payments for the lease of the Group's buildings have been waived by the lessors as a result of the covid-19 pandemic. The Group has early adopted the amendment on 1 April 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the year ended 31 March 2020. Accordingly, a reduction in lease payments arising from the rent concessions of HK$2,519,000 has been accounted for as a negative variable lease payment and credited to profit or loss for the year ended 31 March 2020.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

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 resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about geographical areas

The following tables present revenue from external customers for the years ended 31 March 2020 and 2019, and certain non-current asset information as at 31 March 2020 and 2019, by geographical areas.

(a) *Revenue from external customers*

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**1,744,673**	2,502,812
Mainland China	**109,245**	124,380
	1,853,918	2,627,192

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

(b) *Non-current assets*

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**533,101**	302,131
Mainland China	**68,892**	40,107
	601,993	342,238

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Restaurant operations	**1,790,732**	2,562,636
Sale of food and other operating items	**63,186**	64,556
Total revenue from contracts with customers and recognised at a point in time	**1,853,918**	2,627,192

Other income and gains, net

An analysis of other income and gains, net is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest income	**4,673**	3,081
Licensing income	**1,227**	1,730
Food court income	**7,207**	–
Sponsorship income	**7,774**	6,223
Government subsidies*	**4,240**	–
Rent concession related to covid-19#	**2,519**	–
Gain on disposal of items of property, plant and equipment, net	**–**	138
Overprovision of reinstatement liabilities	**3,494**	3,272
Others	**4,987**	3,660
	36,121	18,104

* *Government subsidies of HK$4,240,000 (2019: Nil) were granted during the year ended 31 March 2020 by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.*

The Group has early adopted Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the covid-19 pandemic is a lease modification.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loans	**2,942**	289
Interest on lease liabilities	**22,402**	–
Interest on finance leases	**–**	56
	25,344	345

7. PROFIT/(LOSS) BEFORE TAX

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

	Note	2020 HK$'000	2019 HK$'000
Lease payments under operating leases:			
Minimum lease payments		–	398,341
Contingent rents		–	1,689
		–	400,030
Lease payments not included in the measurement of lease liabilities		**123,250**	–
Employee benefit expenses (including directors' remunerations):			
Salaries, bonuses and other allowances		**658,771**	847,362
Equity-settled share option expense		–	1,252
Retirement benefit scheme contributions (defined contribution schemes)^		**25,027**	31,657
		683,798	880,271
Fair value losses on investment properties*		**18,051**	–
Loss/(gain) on disposal of items of property, plant and equipment, net*		**769**	(138)
Impairment of items of property, plant and equipment**		**53,745**	1,294
Write-off of items of property, plant and equipment**		**9,793**	277
Impairment of right-of-use assets**		**105,110**	–
Impairment of deposits**		**1,237**	–
Impairment of goodwill**		**58,707**	–
Impairment of intangible assets**		**13,000**	–
Impairment of trade receivables***	*13*	**13,573**	2,137
Impairment of other receivables***		**6,600**	–
Write-off of other receivables***		**8,389**	–
Loss on disposal of subsidiaries*		**917**	1,717
Foreign exchange differences, net		**19**	467
Fair value losses, net:			
Financial assets at fair value through profit or loss*		**8,233**	–
Other receivables*		**5,357**	2,546

^ *At 31 March 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).*

* *These items were included in "Other expenses" in the consolidated statement of profit or loss.*

** *These items were included in "Losses from impairment/write-off of non-financial assets" in the consolidated statement of profit or loss.*

*** *These items were included in "Losses from impairment/write-off of financial assets" in the consolidated statement of profit or loss.*

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2019: 25%) during the year.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**797**	13,126
Underprovision in prior years	**619**	72
Current – Mainland China		
Charge for the year	**104**	364
Underprovision in prior years	**–**	387
Deferred	**18,501**	1,185
Total tax charge for the year	**20,021**	15,134

9. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final 2019 – HK0.79 cent (2019: Final 2018 – HK1.31 cents) per ordinary share	**10,270**	17,030
Special final 2019 – Nil (2019: Special final 2018 – HK3.69 cents per ordinary share)	**–**	47,970
Special interim 2020 – Nil (2019: HK3.5 cents per ordinary share)	**–**	45,500
	10,270	110,500
Dividends proposed after the end of the reporting period:		
Proposed final 2020 – Nil (2019: Proposed final 2019 – HK0.79 cent per ordinary share)	**–**	10,270

The final dividend of HK0.79 cent per ordinary share, totalling approximately HK$10,270,000 for the year ended 31 March 2019 was approved by the Company's shareholders on 30 September 2019.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on loss for the year attributable to ordinary equity holders of the Company of HK$637,476,000 (2019: profit of HK$25,496,000) and 1,300,000,000 (2019: 1,300,000,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as impact of the share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented for the years ended 31 March 2020 and 2019.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year, the Group acquired items of property, plant and equipment amounting to approximately HK$67,948,000 (2019: approximately HK$74,583,000).

At 31 March 2020, the Group's investment properties with a carrying amount of HK$189,600,000 (2019: Nil) were pledged to secure general banking facilities granted to the Group.

12. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Food and beverages	**80,047**	81,567
Other operating items for restaurant operations	**5,020**	4,853
	85,067	86,420

13. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Credit card receivables	**871**	9,621
Others	**19,934**	19,509
	20,805	29,130
Impairment	**(11,877)**	(4,948)
	8,928	24,182

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 (2019: 30 to 60 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**5,706**	13,393
1 to 3 months	**1,092**	5,073
3 to 12 months	**1,586**	4,755
Over 12 months	**544**	961
	8,928	24,182

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

	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**4,948**	2,811
Impairment losses (note 7)	**13,573**	2,137
Amount written off as uncollectible	**(6,644)**	–
At end of year	**11,877**	4,948

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**22,692**	57,660
1 to 3 months	**11,095**	30,013
3 to 12 months	**1,508**	892
Over 12 months	**1,701**	243
	36,996	88,808

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:

	2020	2019
	HK$'000	*HK$'000*
Bank guarantees given in lieu of rental and utility deposits	**38,685**	46,592

16. OPERATING LEASE ARRANGEMENTS

As lessee

As at 31 March 2020, the Group leases certain of its advertisement boxes under operating lease arrangements. Leases for these low-value assets are negotiated for terms ranging from one year to five years.

Prior to the adoption of HKFRS 16, as at 31 March 2019, the Group leased certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties were negotiated for terms ranging from one to twelve years.

At 31 March 2020, the Group had total future lease payments under non-cancellable lease contracts (including leases of low-value assets and lease contracts that have not yet commenced as at 31 March 2020) as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**10,121**	383,971
In the second to fifth years, inclusive	**49,626**	320,760
Beyond five years	**7,668**	34,953
	67,415	739,684

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 as at 31 March 2019.

17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property, plant and equipment	**1,902**	1,310

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 31 March 2019, an aggregate amount of deposits of HK$48,678,000 was made by the Group in respect of the Acquisition. The Acquisition was completed during the year ended 31 March 2020, and the Group had no outstanding capital commitment relating to the Acquisition as at 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Due to the global outbreak of novel coronavirus (COVID-19) pandemic in early 2020, the global economic activities shrank severely, while the implementation of social distancing measures seriously disrupted consumption-related activities. According to the data released by the Census and Statistics Department of Hong Kong, the gross domestic product (GDP) of Hong Kong registered a substantial decline of 8.9% year-on-year for the first quarter of 2020, the largest drop among records since the reference period of the first quarter of 1974. On a seasonally adjusted quarter-to-quarter comparison, the substantial decline of GDP significantly expanded to 5.3% in the first quarter, which was the greatest decline ever recorded. The provisional estimate of the total restaurant receipts was HK$21.7 billion in value for the quarter, representing a decrease of 31.2% year-on-year, of which, the total receipts of Chinese restaurants decreased by 39.6% in value. Under the economic recession, the operating environment of the catering industry was still difficult in the short term. Despite great market volatility, the Group is still full of confidence towards the prospects of the industry.

For the PRC market, according to the "Report of Business Model and Development Trend Planning on China Restaurant Chains Industry (2020-2025)" by Qianzhan Industry Research Institute (前瞻產業研究院), the national income of the catering industry in 2019 was RMB4.6721 trillion, an increase of 9.4% year-on-year. Chinese cuisines were still the mainstream, accounting for 42.39% of the researched companies. However, during the epidemic period, 87.9% of the catering companies recorded a loss of more than 90%, and the industry was adversely hit. Some restaurants launched "contactless delivery" services and successfully expanded the customer base. The report states that with reference to the economic operation of the catering industry in the Chinese market in 2003, it is believed that the industry may be ridden with the retaliatory consumption opportunities after the epidemic is over.

Business Review

During the year under review, the business environment in Hong Kong was difficult and challenging, and the demand for catering services was slightly weak, mainly because of the social unrest in Hong Kong since June 2019, together with the outbreak of novel coronavirus disease (COVID-19) in early 2020 exacerbating the sluggishness. The Group adopted strict cost control measures, including adjusting the business hours of each restaurant according to its profitability, and actively negotiating rent reduction and exemption arrangements with the landowners. In addition, the Group fully enhanced the sanitation measures in its restaurants and ensured the cleanliness of the environment and utensils through disinfection, in order to increase customers' confidence in dinning in restaurants and reduce the negative impact of the epidemic on the Group.

The Group adopted prudent yet optimistic development strategies to establish new restaurants and to actively explore diversified brands to gratify local catering needs and enhance customers' dining experience. During the year under review, the Group has opened 8 restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong. As of 31 March 2020, the Group owned a total of 71 restaurants, including 22 restaurants under the "Fulum (富臨)" main brand, 8 restaurants under the "Sportful Garden (陶源)" main brand and 41 restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong and 4 restaurants 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 provide Cantonese cuisine for mass market customers with a variety of delicacies including seafood, dim sum and hotpot. They offer friendly and welcoming venue and catering experience for wedding banquets and events, 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 Korean barbecue brands, kid-friendly restaurants which embed traditional culture of Korean local cuisines, a restaurant which offers a relaxing dining experience of innovative Cantonese-style cuisine and a food hall positioned to offer local street delicacies. All these restaurants were well-received by customers from various segments in the district, through which the Group increased its market share and diversified its income base.

As a reward for customers' years of support, the Group introduced a customer loyalty programme in restaurants under the"Sportful Garden (陶源)"main brand, where customers can accumulate credit points in their membership cards for each patronage and redeem value-added benefits or gifts with the points. Currently, there are more than 48,000 members in total under such membership programme. The Group will continue to explore and provide more membership benefits and privileges in order to broaden its long-term customer base.

For the PRC market, the Group operates a total of four "Fulum Palace (富臨皇宮)" restaurants, which are located in the densely-populated residential areas in Yuexiu District and Baiyun District in Guangzhou, Zhuhai and Fuzhou. They 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 and fast-growing consumption power in the PRC market, the Group will open new restaurants in due course in the future to provide PRC customers with quality catering experience and services.

Financial results

During the year under review, the Group's revenue decreased by approximately 29.4% to approximately HK$1,853.9 million (2019: approximately HK$2,627.2 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:

	2020	2019	**% Change**
	HK$'000	*HK$'000*	
Restaurant operations			
"Fulum (富臨)" main brand	**1,143,196**	1,750,488	**(34.7)**
"Sportful Garden (陶源)" main brand	**234,900**	350,742	**(33.0)**
"Fulum Concept (富臨概念)" main line	**412,636**	461,406	**(10.6)**
Sale of food and other operating items	**63,186**	64,556	**(2.1)**

During the year under review, the Group's gross profit margin was approximately 65.3% for the year (2019: approximately 70.4%). The profit/(loss) attributable to owners of the Company decreased by approximately HK$663 million, from a profit of approximately HK$25.5 million for the year ended 31 March 2019 to a loss of approximately HK$637.5 million for the year ended 31 March 2020. The decrease was mainly due to the weak market sentiment amidst the social unrest in Hong Kong since June 2019, and the condition further deteriorated due to the outbreak of novel coronavirus disease (COVID-19) in the beginning of 2020. 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. It will continue to adopt a prudent and optimistic attitude to fine-tune its menu and realign its brand portfolios, increase the proportion of restaurants under the "Fulum Concept (富臨概念)" main line and explore new mode of operation. In the meantime, the Group will proactively explore opportunities for mergers and acquisitions in the industry and continue to identify different catering brands, especially those of Asian brands for mergers and acquisitions, in order to establish Fulum Group as a highly diversified catering kingdom.

For the PRC market, as the mass catering market in the Mainland China continues its rapid development, the Group is full of confidence in the long-term development of the market. Looking forward, the Group will continue to increase gradually the number of restaurants in the PRC to broaden its customer base and increase its market share.

Financial resources and liquidity

As at 31 March 2020, the Group's total assets decreased to approximately HK$1,011.4 million (2019: approximately HK$1,202.4 million) while the total equity decreased to approximately HK$286.9 million (2019: approximately HK$938.4 million).

As at 31 March 2020, the Group had approximately HK$116.4 million in cash and bank balances available (2019: approximately HK$496.9 million). The current ratio of the Group was approximately 0.7 (2019: approximately 3.4).

As at 31 March 2020, the Group's total borrowings amounted to approximately HK$94.6 million (2019: approximately HK$0.4 million), which mainly consisted of mortgage loan in the amount of approximately HK$72.9 million (2019: Nil), term loan in the amount of approximately HK$16.8 million (2019: Nil) and a tax loan of approximately HK$4.9 million (2019: approximately HK$0.4 million). These borrowings were denominated in Hong Kong dollars and the effective interest rates ranged from approximately 3.4% to 4.5% per annum.

As at 31 March 2020, the gearing ratio (being the total of finance leases and interest-bearing bank borrowings divided by total equity attributable to the owners of the Company) of the Group was approximately 33.0% (2019: approximately 0.1%).

Capital expenditure

The capital expenditure during the year under review was primarily related to expenditures on additions and renovation of property, plant and equipment and investment property for the Group's central kitchen and logistics center, new restaurants and maintenance of existing restaurants. The capital commitments were related to leasehold improvements and equipment for our restaurants.

Contingent liabilities

As at 31 March 2020, the Group had contingent liabilities not provided for in the consolidated financial statements in the amount of approximately HK$38.7 million in relation to bank guarantees given in lieu of rental and utility deposits (2019: approximately HK$46.6 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 2020, the Group had approximately 2,219 employees. The Group believes that hiring, motivating and retaining qualified employees are crucial to the Group's success as a restaurant operator. During the year under review, the Group conducted a series of standardised training and advancement programs for all the Group's staff, from serving staff, cashiers, floor managers, chefs, restaurant managers to district managers. These training programs intend to ensure that all new staff are equipped with the skills required for their positions. The Group's internal advancement programs can provide its staff with clear advancement guidelines and promote employee satisfaction. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

Indebtedness and charges on Group's assets

As at 31 March 2020, certain assets of the Group with carrying amount in aggregate of HK$189.6 million (2019: nil) were pledged to secure its bank borrowings.

Material acquisition or disposal of subsidiaries or associated companies

During the year under review, there was no material acquisition or disposal of subsidiaries or associated companies of the Company.

Dividends

The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: special final – Nil, final – HK0.79 cent per ordinary share).

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. The Pre-IPO Share Option Scheme was to remain in force for a period of five years from the grant date and has expired on 27 October 2019 accordingly. All the unexercised options have lapsed upon expiry of the Pre-IPO Share Option Scheme.

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 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 2020, 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 maintaining a high standard of corporate governance practices to safeguard the interests of the shareholders of the Company, and to enhance corporate value and accountability. These objectives can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal controls, appropriate risk assessment procedures and transparency to all the Company's shareholders.

Model Code of Securities Transactions by Directors

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Based on responses of specific enquiries made with the Directors, all of the Directors have confirmed that they have complied with required standards as set out in the Model Code and Code of Conduct throughout the year ended 31 March 2020 and up to the date of this announcement.

Purchases, sale or redemption of listed securities

For the year ended 31 March 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares in the public hands) as required under the Listing Rules.

Events after the year under review

Following the outbreak of Covid-19, there are various quarantine and distancing measures imposed which have had a negative impact on the operations of the Group. Subsequent to 31 March 2020 and up to the date of approval of the financial statements, the operating performance of the Group's certain restaurants is gradually improving. In addition, the Government of the Hong Kong Special Administrative Region announced the second phase of the Anti-epidemic Fund (the "**Fund**") in April 2020. The Group has applied for the Fund, which will be released in the second half of 2020, and expects that the Group's financial position will be further improved.

Audit Committee

The Company established the audit committee (the "**Audit Committee**") on 28 October 2014 with the revised written terms of reference adopted on 28 December 2018. 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, 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. All of them possess extensive experience in financial and general management.

The work performed by the Audit Committee during the year ended 31 March 2020 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 2020. 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 2020 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 2020. 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

The register of members of the Company will be closed from Tuesday, 15 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 14 September 2020.

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, 29 June 2020

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.