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Fulum Group Holdings Limited
富臨集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1443)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

HIGHLIGHTS

- Revenue was approximately HK\$893.8 million (corresponding period in 2022: approximately HK\$764.6 million), representing an increase of approximately 16.9%
- Gross profit margin¹ was at approximately 72.1% (corresponding period in 2022: approximately 69.6%), representing an increase of approximately 2.5 percentage point
- Profit attributable to owners of the Company was approximately HK\$2.1 million (corresponding period in 2022: approximately HK\$8.7 million)
- Profit for the period excluding government subsidies² was approximately HK\$2.1 million (corresponding period in 2022: Loss for the period excluding government subsidies² of approximately HK\$44.8 million)
- Basic earning per share³ was HK0.16 cents (corresponding period in 2022: HK0.67 cents)
- The Board has resolved not to declare the payment of any interim dividend

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 *This is a non-HKFRS measure, defined as profit/(loss) for the relevant period deducting government subsidies, which are non-recurring income.*

³ *The calculation of the basic earning per share amounts is based on profit for the period attributable to owners of the Company of approximately HK\$2,111,000 (corresponding period in 2022: approximately HK\$8,668,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2022: 1,300,000,000) in issue during the Reporting Period.*

UNAUDITED INTERIM 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 unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2023 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2022 (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 AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2023

	<i>Notes</i>	Six months ended 30 September	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Restated) (Unaudited)
REVENUE	4	893,832	764,560
Other income and gains, net	5	10,060	8,744
Government subsidies		–	53,434
Cost of inventories sold		(249,367)	(232,632)
Staff costs	8	(303,987)	(258,281)
Property rentals and related expenses		(32,602)	(44,618)
Depreciation		(155,247)	(141,206)
Fuel and utility expenses		(48,871)	(39,040)
Other expenses		(96,344)	(92,422)
Finance costs	6	(15,316)	(9,173)
PROFIT BEFORE TAX		2,158	9,366
Income tax expense	7	(57)	(707)
PROFIT FOR THE PERIOD	8	2,101	8,659

		Six months ended 30 September	
		2023	2022
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>(210)</u>	<u>(1,681)</u>
		<u>(210)</u>	<u>(1,681)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>1,891</u>	<u>6,978</u>
PROFIT/(LOSS) FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		2,111	8,668
Non-controlling interests		(10)	(9)
		<u>2,101</u>	<u>8,659</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		1,901	6,987
Non-controlling interests		(10)	(9)
		<u>1,891</u>	<u>6,978</u>
EARNINGS PER SHARE			
– Basic (HK cents)	<i>10</i>	<u>0.16</u>	<u>0.67</u>
– Diluted (HK cents)		<u>0.16</u>	<u>0.67</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023

		30 September 2023	31 March 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	187,619	175,739
Right-of-use assets		664,670	400,280
Deposits and other receivables		52,239	52,186
Deferred tax assets		4,127	4,184
		<u>908,655</u>	<u>632,389</u>
CURRENT ASSETS			
Inventories	<i>12</i>	81,651	81,103
Trade receivables	<i>13</i>	27,332	11,077
Prepayments, deposits and other receivables		96,655	90,189
Amount due from a joint venture		11,421	4,941
Tax recoverable		1,799	1,774
Cash and cash equivalents		134,865	169,757
		<u>353,723</u>	<u>358,841</u>
CURRENT LIABILITIES			
Trade payables	<i>14</i>	77,172	63,663
Other payables, accruals and deferred income		124,463	110,765
Interest-bearing bank borrowings		297,599	308,926
Lease liabilities		244,934	148,179
Provision		4,242	5,246
Dividend payable	<i>9</i>	3,900	–
Tax payable		7,639	6,345
		<u>759,949</u>	<u>643,124</u>
NET CURRENT LIABILITIES		<u>(406,226)</u>	<u>(284,283)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>502,429</u>	<u>348,106</u>

	30 September	31 March
	2023	2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Accruals and deferred income	4,167	3,324
Lease liabilities	346,394	192,356
Provision	6,744	5,830
Deferred tax liabilities	1,334	1,315
	<u>358,639</u>	<u>202,825</u>
NET ASSETS	<u>143,790</u>	<u>145,281</u>
Capital and reserves		
Share capital	1,300	1,300
Reserves	145,070	146,551
	<u>146,370</u>	<u>147,851</u>
Equity attributable to owners of the Company	146,370	147,851
Non-controlling interests	<u>(2,580)</u>	<u>(2,570)</u>
TOTAL EQUITY	<u>143,790</u>	<u>145,281</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

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 26/F, Capital Tower, 38 Wai Yip Street, Kowloon Bay, 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 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 unaudited condensed consolidated financial statements 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 the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2023 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2023.

Going concern basis

As at 30 September 2023, the Group had net current liabilities of approximately HK\$406,226,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that (i) the Group will be able to raise fund to meet a level sufficient to finance the working capital requirements of the Group; (ii) the Group is negotiating with the landlords of the Group's leased properties for rent concessions; and (iii) the Group is actively implementing cost-control measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the unaudited condensed consolidated financial statements of the Group.

4. REVENUE AND 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.

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

	Six months ended 30 September	
	2023	2022
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Restaurant operations	838,920	705,871
Sale of food and other operating items	32,315	37,928
Food court operations	6,058	7,151
	<hr/>	<hr/>
Revenue from contracts with customers	877,293	750,950
Rental income from food court operations	16,539	13,610
	<hr/>	<hr/>
	893,832	764,560
	<hr/> <hr/>	<hr/> <hr/>

Information about Timing of Revenue Recognition

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At a point in time	872,021	746,377
Over time	5,272	4,573
	<hr/>	<hr/>
Revenue from contracts with customers	877,293	750,950
Rental income from food court operations	16,539	13,610
	<hr/>	<hr/>
	893,832	764,560
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Information about Geographical Areas

The following tables present revenue from external customers for the six months ended 30 September 2023 and 2022, and certain non-current assets information as at 30 September 2023 and 31 March 2023, by geographical areas.

(a) Revenue from external customers

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	854,771	729,080
Mainland China	39,061	35,480
	<hr/>	<hr/>
	893,832	764,560
	<hr/> <hr/>	<hr/> <hr/>

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

(b) *Non-current assets*

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Hong Kong	826,965	536,132
Mainland China	25,324	39,887
	<u>852,289</u>	<u>576,019</u>

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

Information about Major Customers

Since no 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. OTHER INCOME AND GAINS, NET

		Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Restated) (Unaudited)
	<i>Note</i>		
Interest income on bank deposits		141	28
Interest income on rental deposits		52	85
Licensing income		173	184
Rent concessions related to COVID-19	<i>1</i>	50	4,606
Gain on lease modification and termination		5,868	455
Sponsorship income		1,028	763
Reversal of impairment of right-of-use assets		–	1,132
Others		2,748	1,491
		<u>10,060</u>	<u>8,744</u>

Note 1: The Group has 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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank overdrafts and bank loans	6,159	3,115
Interest on lease liabilities	9,157	6,058
	<u>15,316</u>	<u>9,173</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
– Current tax	–	707
– Deferred tax	57	–
	<u>57</u>	<u>707</u>

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.

For the six months ended 30 September 2023 and 2022, Hong Kong Profit Tax is calculated under two-tier profit tax system where the first HK\$2 million of estimated assessable profit is taxed at rate of 8.25% and remaining estimated assessable profit is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiaries to apply the two-tier profit tax rate.

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 2022: 25%) during the current period.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease payments not included in the measurement of lease liabilities	3,288	5,331
Foreign exchange differences, net	–	(72)
Impairment of right-of-use assets*	–	6,946
Depreciation of property, plant and equipment	26,738	28,769
Depreciation of right-of-use assets	128,509	112,437
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	293,848	248,127
Share-based payments	518	1,156
Retirement benefit scheme contributions (defined contribution scheme)	9,621	8,998
	303,987	258,281

* This item was included in "Other expenses" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

9. DIVIDEND

A special dividend of HK\$0.3 cents per share, totalling approximately HK\$3,900,000, in substitution of the proposed final dividend for the year ended 31 March 2023 was approved by the Directors on 28 September 2023. For further details of the special dividend, please refer to the announcements of the Company dated 28 September 2023 and 3 October 2023.

The Directors do not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2022: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earning per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$2,111,000 (six months ended 30 September 2022: approximately HK\$8,668,000) and the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2022: 1,300,000,000) in issue during the period.

Diluted earnings per share

The calculation of the earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of HK\$38,618,000 (six months ended 30 September 2022: HK\$19,822,000).

12. INVENTORIES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Food and beverages	77,748	77,251
Other operating items for restaurant operations	<u>3,903</u>	<u>3,852</u>
	<u>81,651</u>	<u>81,103</u>

13. TRADE RECEIVABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Credit card receivables	10,991	3,343
Others	<u>29,255</u>	<u>20,648</u>
	40,246	23,991
Impairment	<u>(12,914)</u>	<u>(12,914)</u>
	<u>27,332</u>	<u>11,077</u>

The Group's trading terms with its customers are mainly on cash and credit card settlement while trading terms for sale of food are on credit with credit periods ranging from 30 to 60 days (31 March 2023: 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 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Within 1 month	23,843	7,608
1 to 3 months	3,090	3,105
3 to 12 months	399	364
	<u>27,332</u>	<u>11,077</u>

14. TRADE PAYABLES

The trade payables are non-interest-bearing and generally have payment terms of 45 to 90 days (31 March 2023: 45 to 90 days). 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 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Within 1 month	55,122	50,473
1 to 3 months	17,534	9,285
3 to 12 months	1,792	1,206
Over 12 months	2,724	2,699
	<u>77,172</u>	<u>63,663</u>

15. CONTINGENT LIABILITIES

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

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Bank guarantees given in lieu of rental and utility deposits	<u>21,725</u>	<u>16,652</u>

16. CAPITAL COMMITMENTS

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

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Contracted, but not provided for: Property, plant and equipment	<u>-</u>	<u>5,945</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the period under review, the Hong Kong SAR government eased the entry restrictions of overseas visitors and withdrew the pandemic control policies to stimulate the recovery of social and economic activities and boost consumer sentiment. However, the external economic environment was weak, resulting in a slower recovery than expected in local exports, capital formation and private consumption after the pandemic, and as such Hong Kong's economic growth rate was lower than market expectations. In addition, supply and transportation chains were under pressure due to the continuous geopolitical tension, and the prices of raw materials, logistics costs, food and energy have all increased, putting pressure on corporate operations.

According to the Hong Kong Census and Statistics Department, Hong Kong's composite consumer price index (CPI) increased by 2.0% in the second quarter compared with the same period last year; the composite consumer price index in the third quarter increased by 1.9% compared with the same period last year. During the period, the inflation level increased slightly, and local business costs still need to face upward pressure. In terms of Hong Kong's economy, the gross domestic product (GDP) in the second quarter increased by 1.5% in real terms compared with the same period last year, and increased by approximately 2.9% compared to the first quarter, representing a slowing down of growth rate; in particular, private consumption expenditure increased by 8.2% in real terms compared with the same period last year. The seasonally adjusted GDP in consecutive quarters changed from increase to decline, decreasing in real terms by 1.3% year-on-year in the second quarter, while rising by 5.4% in the first quarter; in the third quarter, GDP increased by 0.1% in real terms quarter-on-quarter, which is lower than market expectations.

Since the Hong Kong SAR government fully relaxed its border restrictions, Hong Kong has experienced a "retaliatory" tourism boom. While many citizens choose to travel abroad during the long holidays, the return of tourists to Hong Kong has brought certain support to the overall business environment and consumption atmosphere. Data from the Census and Statistics Department shows that the value of total restaurant receipts in the second quarter is provisionally estimated at \$27.4 billion, a year-on-year increase of 24.3%. After deducting the impact of price changes during the period, total restaurant receipts in the second quarter are provisionally estimated to increase by 19.4% in volume terms compared with the same quarter last year. In particular, the total revenue of Chinese restaurants increased by 29.2% and 24.4% respectively in terms of value and volume, and the total revenue of non-Chinese restaurants increased by 20.5% and 15.9% in terms of value and volume respectively. As for the value of total restaurant revenue in the third quarter, the provisional estimate is \$27.1 billion, an increase of 12.5% year-on-year. In terms of total revenue of Chinese restaurants, the value and volume of total revenue of Chinese restaurants increased by 18.3% and 14.0% respectively year-on-year; however, after seasonal adjustment, the provisional estimate of total restaurant receipts in the third quarter fell by 2.0% and 6.4% quarter-on-quarter in terms of value and volume respectively.

Business Review

Although the pandemic has passed and Hong Kong society has fully returned to normal, the pandemic has brought about huge and long-term changes in consumption and dining patterns. During the Reporting Period, in the face of structural changes in the catering market, the Group continued to respond to the challenges by adopting a full-time regional catering branding strategy. By increasing the number of brands and categories under its “Concept Line”, the Group’s catering business became more diversified, covering consumers’ catering needs at different times of the day, so that customers can enjoy a wide range of the Group’s restaurants at any time and any place.

The Group has been expanding its restaurant brands in residential areas at a moderate and prudent pace. As at 30 September 2023, the Group operated a total of 104 restaurants in Hong Kong, including 15 restaurants under the “Fulum (富臨)” main brand, 7 restaurants under the “Sportful Garden (陶源)” main brand, 82 restaurants under the “Concept Line (概念線)” main line as well as 5 food courts, 6 supermarkets, and 3 restaurants in the Mainland China.

During the Reporting Period, the Group offered customers with a traditional Chinese dining experience under the “Fulum (富臨)” main brand and “Sportful Garden (陶源)” main brand. The “Fulum (富臨)” main brand offers a wide variety of Cantonese delicacies to mass market customers, including seafood, dim sum and hotpot, as well as luxurious venues with unique decorations and sophisticated catering experience for wedding banquets and events. Restaurants under the “Sportful Garden (陶源)” main brand focus on mid-to-high-end Cantonese cuisine and attract customers who put a high value on quality with luxurious decorations. In the post-pandemic era, there is a change in people’s dining habits, as more people choose to cook at home or purchase takeaway. The Group has adjusted its business strategy in a timely manner and continued to optimize the online shopping platform under Fulum (富臨) to cater to the needs of the market. In addition to regularly launching selected takeout packages, we also launch dine-in reservation discounts on the online platform to attract customers through online and offline interactions.

The Group actively introduces multi-national dishes into the “Concept Line” series and is committed to creating a full-time catering ecosphere to cater to the catering needs of consumers of different age groups. In recent years, local consumers’ demand for new style dishes has increased significantly, with a variety of tastes. When introducing multi-national dishes, the Group adopts the concept of “small shop model, group management”, while providing consumers with Korean barbecue restaurants combining authentic Korean izakaya food and traditional culture, classy and casual cafes, authentic Thai food and fine dining restaurants, with different price ranges and different cuisines to cater to the needs of our customers.

During the Reporting Period, the Group continued to expand our food court footprint by opening new food courts under new brand names at the new shopping mall in Kai Tak, introducing different restaurant brands from different locations to bring more culinary choices to the local residents. Currently, the Group’s food courts cover residential areas in Yuen Long, Tuen Mun, Mong Kok, Telford and Kai Tak. In the future, the Group will continue to look for suitable locations in residential areas and open more supermarkets and food courts.

Financial Review

Revenue

The total revenue of the Group increased by approximately 16.9%, or approximately HK\$129.2 million, from approximately HK\$764.6 million for the Previous Reporting Period to approximately HK\$893.8 million for the Reporting Period. The increase was mainly due to the rebound of Hong Kong business as a result of the recovery from the negative impact of COVID-19 pandemic. The Group's businesses are mainly restaurant operations, sales of food and other operating items and foodcourt operation.

Revenue from restaurant operations increased by approximately 18.8%, or approximately HK\$133.0 million, from approximately HK\$705.9 million for the Previous Reporting Period to approximately HK\$838.9 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		
	2023	2022	% Change
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Restaurant operations			
“Fulum (富臨)” main brand	355,811	290,432	22.5
“Sportful Garden (陶源)” main brand	100,110	83,896	19.3
“Concept Line (概念線)” main line	382,999	331,543	15.5

Revenue from sales of food and other operating items decreased by approximately 14.8%, or approximately HK\$5.6 million from approximately HK\$37.9 million for the Previous Reporting Period to approximately HK\$32.3 million for the Reporting Period.

Revenue from food court operations increased by approximately 8.7%, or approximately HK\$1.8 million from approximately HK\$20.8 million for the Previous Reporting Period to approximately HK\$22.6 million for the Reporting Period. The increase was mainly due to the increase in rental income from food court operations.

Other Income and Gains, Net

Other income and gains, net increased by approximately 13.6%, or approximately HK\$1.2 million from approximately HK\$8.8 million for the Previous Reporting Period to approximately HK\$10.0 million for the Reporting Period.

Cost of Inventories Sold

The cost of inventories sold by the Group increased by approximately 7.2%, or approximately HK\$16.8 million from approximately HK\$232.6 million for the Previous Reporting Period to approximately HK\$249.4 million for the Reporting Period. The increase was mainly due to the increase in revenue during the Reporting Period.

Gross Profit

Gross profit (gross profit equals revenue minus cost of inventories sold) increased by approximately 21.2%, or approximately HK\$112.6 million from approximately HK\$531.9 million for the Previous Reporting Period to approximately HK\$644.5 million for the Reporting Period. The increase was mainly due to the number of Chinese restaurants, with lower average gross profit margin, decreased from 26 stores to 25 stores while the number of “Concept Line” restaurants, with higher average gross profit margin, increased from 73 stores to 87 stores 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 approximately 72.1% and 69.6%, respectively. The increase was mainly due to the number of Chinese restaurants, with lower average gross profit margin, decreased from 26 stores to 25 stores while the number of “Concept Line” restaurants, with higher average gross profit margin, increased from 73 stores to 87 stores during the Reporting Period.

Staff Costs

The staff costs for the Reporting Period and the Previous Reporting Period were approximately HK\$304.0 million and HK\$258.3 million, respectively, representing approximately 34.0% and 33.8% of the respective periods’ revenues. The increase in staff costs was mainly because more frontline staffs were employed to cope with the expansion of the Group during the Reporting Period.

Property Rentals and Related Expenses

The property rentals and related expenses decreased by approximately 26.9%, or approximately HK\$12.0 million, from approximately HK\$44.6 million for the Previous Reporting Period to approximately HK\$32.6 million for the Reporting Period. The decrease was mainly due to the decrease of short-term lease payment in the Reporting Period.

Depreciation expenses

Depreciation expenses slightly increased by approximately 9.9%, or approximately HK\$14.0 million, from approximately HK\$141.2 million for the Previous Reporting Period to approximately HK\$155.2 million for the Reporting Period. No material fluctuation was noted in the Reporting Period.

Other Expenses

Other expenses slightly increased by approximately 4.2%, or approximately HK\$3.9 million, from approximately HK\$92.4 million for the Previous Reporting Period to approximately HK\$96.3 million for the Reporting Period. No material fluctuation was noted in the Reporting Period.

Finance Costs

The finance costs amounted to approximately HK\$15.3 million for the Reporting Period and approximately HK\$9.2 million for the Previous Reporting Period. The increase in finance costs was primarily due to rapidly increasing global interest rates.

Profit attributable to Owners of the Company

As a result of the factors discussed above, the Group recorded a profit attributable to owners of the Company of approximately HK\$2.1 million for the Reporting Period when compared with a profit attributable to owners of the Company of approximately HK\$8.7 million for the Previous Reporting Period.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong. The Group had cash and cash equivalent of approximately HK\$134.9 million as at 30 September 2023 (31 March 2023: approximately HK\$169.8 million). The Group had cash and bank balances which were mostly held in Hong Kong dollar and Renminbi. As at 30 September 2023, the Group's outstanding bank borrowings were approximately HK\$297.6 million (31 March 2023: HK\$308.9 million), while total assets were approximately HK\$1,262.4 million (31 March 2023: HK\$991.2 million).

As at 30 September 2023, the Group's current assets were kept at approximately HK\$353.7 million (31 March 2023: approximately HK\$358.8 million) whilst current liabilities were approximately HK\$759.9 million (31 March 2023: approximately HK\$643.1 million). The increase in current liabilities was mainly due to certain leases renewed during the Reporting Period has increased the lease liabilities under current liabilities of HK\$96.8 million. The Directors consider that the current working capital level is conservatively sufficient to meet the upcoming operating needs.

The gearing ratio, calculated as total interest-bearing borrowings divided by total assets, was approximately 23.6% at 30 September 2023 (31 March 2023: approximately 31.2%). The decrease was mainly due to the decrease in interest-bearing bank borrowings.

Pledge of assets

As at 30 September 2023, the Group pledged its property, plant and equipment of approximately HK\$36.6 million and right-of-use assets of approximately HK\$129.6 million to secure the banking facilities granted to the Group.

Contingent liabilities

As at 30 September 2023, the Group had contingent liabilities not provided for in the condensed consolidated financial statements in the amount of approximately HK\$21.7 million in relation to bank guarantees given in lieu of rental and utility deposits (31 March 2023: approximately HK\$16.7 million).

Prospects and Outlook

Affected by factors such as the high interest rate environment and geopolitical tensions, the pace of global and local economic recovery has been slow. The Group will pay close attention to the development of various factors, take timely optimization measures to improve operation and production efficiency, and adjust the menu portfolio of each of its brands to cope with the unpredictable market environment. We believe that the full-time dining brand strategy and the adjustment of the menu portfolio of each brand in response to the market environment will bring us sustainable and stable growth momentum. We will continue to pay attention to consumers' tastes, expand the "Concept Line" brand series, and enhance the leisure dining portfolio. At the same time, we will continue to review our operation strategy, restaurant traffic and business turnover in a timely manner in order to adjust our restaurant portfolio and turn the Group into a diversified food and beverage empire to meet customer needs and bring returns to our shareholders.

Dividend

The Board has resolved not to declare the payment of any interim dividend for the Reporting Period (corresponding period in 2022: Nil).

Corporate Governance Code

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

The Board is committed to maintaining a high standard of corporate governance practices to safeguard the interests of the Company's 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

The Board is not aware of any material event affecting the Group since the end of the Reporting Period 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 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. Mr. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon, all being independent non-executive Directors, are members of the Audit Committee with Mr. Wong Wai Leung Joseph acting as 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 presented the Group's financial position and results for the six months ended 30 September 2023.

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 and Executive Director

Hong Kong, 28 November 2023

As at the date of this announcement, the Board comprises Mr. Yeung Wai (Chairman), Mr. Yeung Ho Wang (CEO), Mr. Yeung Yun Kei, Mr. Leung Siu Sun, and Mr. Yeung Chun Nin as executive Directors; Mr. Wu Kam On Keith (Vice Chairman) as non-executive Director; and Mr. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon as independent non-executive Directors.