



# Fulum Group Holdings Limited 富臨集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 1443

真誠真味

富臨酒家  
*Fulum Restaurant*

富臨皇宮  
*FULUM PALACE*

富臨  
*Fulum*

陶源酒家 (鮑魚專門店)  
*Sportful Garden Restaurant*

富臨 漁港  
*Fulum Fisherman's Wharf Restaurant*

ROYAL ONE  
皇室①號  
*PLEASANT PALACE*  
葡臨門

먹방 불고기  
冰瓜韓烤

正冬  
*Winter Steam Pot Restaurant*

승한라산 불고기

中期報告  
**2016**  
INTERIM REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS EXECUTIVE DIRECTORS

Mr. YEUNG Wai  
*(Chairman and Chief Executive Officer)*  
Mr. YEUNG Yun Chuen  
Mr. YEUNG Yun Kei  
Mr. LEUNG Siu Sun

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FAN Chun Wah Andrew  
Mr. LOCK Kwok On Anthony  
Mr. WU Kam On Keith

## COMPANY SECRETARY

Mr. NG Kam Tsun Jeffrey

## AUTHORISED REPRESENTATIVES

Mr. YEUNG Wai  
Mr. NG Kam Tsun Jeffrey

## MEMBERS OF AUDIT COMMITTEE

Mr. WU Kam On Keith *(Chairman)*  
Mr. FAN Chun Wah Andrew  
Mr. LOCK Kwok On Anthony

## MEMBERS OF NOMINATION COMMITTEE

Mr. FAN Chun Wah Andrew *(Chairman)*  
Mr. LOCK Kwok On Anthony  
Mr. YEUNG Wai

## MEMBERS OF REMUNERATION COMMITTEE

Mr. LOCK Kwok On Anthony *(Chairman)*  
Mr. FAN Chun Wah Andrew  
Mr. YEUNG Wai

## MEMBERS OF EXECUTIVE COMMITTEE

Mr. YEUNG Wai *(Chairman)*  
Mr. YEUNG Yun Chuen  
Mr. YEUNG Yun Kei  
Mr. LEUNG Siu Sun

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## CORPORATE HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15/F., Luk Hop Industrial Building  
8 Luk Hop Street, San Po Kong  
Kowloon, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
Bank of China (Hong Kong) Limited

## AUDITORS

Ernst & Young  
*Certified Public Accountants*

## LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP

## STOCK CODE

The Stock Exchange of Hong Kong Limited  
01443

## WEBSITE

[www.fulumgroup.com](http://www.fulumgroup.com)

## HIGHLIGHTS

- Revenue was approximately HK\$1,398.0 million (corresponding period in 2015: approximately HK\$1,308.8 million), representing an increase of approximately 6.8%
- Gross profit margin was at 70.3% (corresponding period in 2015: 70.5%), representing a decrease of 0.2 percentage points
- Earnings before interest, tax, depreciation and amortisation was approximately HK\$67.7 million (corresponding period in 2015: approximately HK\$82.1 million), representing a decrease of approximately 17.5%
- Profit for the period and attributable to owners of the Fulum Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) was approximately HK\$16.8 million (corresponding period in 2015: approximately HK\$27.4 million), representing a decrease of approximately 38.7%
- Basic earnings per share was HK1.29 cents (corresponding period in 2015: HK2.11 cents), representing a decrease of approximately 38.9%
- The guest count was approximately 14.6 million (corresponding period in 2015: approximately 13.9 million), representing an increase of approximately 5.0%
- The gearing ratio of the Group was down to approximately 2.0% (31 March 2016: approximately 3.6%)
- The directors of the Company (the “Directors”) do not recommend the payment of any dividends in respect of the six months ended 30 September 2016 (the “Reporting Period”) (corresponding period in 2015: Nil)

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

According to the data released by the Census and Statistics Department of the Government of Hong Kong, the total value of retail sales in Hong Kong in the first three quarters of year 2016 continued to decline. However, the value of total revenue of the restaurants during the period amounted to nearly HK\$80 billion, representing an increase of 2.5% on a year-on-year basis, which implied that the catering market had not been affected by the sluggish retail environment. In fact, the sales performance of the retail industry remained stagnant, primarily affected by the decline in visitations to Hong Kong and the prudent consumer sentiment under economic uncertainties. Nevertheless, the impact to the catering industry was relatively insignificant since the industry was closely related to people's livelihood, especially for Hong Kong people who generally needed to work longer hours and were more likely to dine outside, which in turn created a huge room for development of the catering industry. Therefore, the Group believes that there will be a steady growth of the catering market in the future and is full of confidence towards the prospects of the catering market.

For the PRC market, according to the "Annual Report on Catering Industry of China in 2016 (2016年中國餐飲業年度報告)" released by the China Hotel Association, the receipts of the catering industry in the PRC in year 2015 amounted to RMB3,231 billion, representing an increase of 11.7% on a year-on-year basis, which was the first time that the receipts of the catering industry in the PRC exceeded RMB3 trillion and became one of the top ten industries in respect of consumption of the State Council. The report anticipated that the receipts of the catering industry in the PRC in year 2016 will exceed RMB3,500 billion. Currently, the central government of the PRC has already implemented regulation on the population structure, such as the implementation of the two-child policy. It is believed that there could be an inclination of the population growth in the future. Meanwhile, with the accelerating progress of urbanisation, the urban residential population is escalating each year. All of the above are beneficial to the healthy growth of the catering industry.

## BUSINESS REVIEW

During the period, the Group continued to adopt proactive yet prudent expansion strategy to establish new restaurants in accordance with the expansion strategy set out in its prospectus. During the period, the Group had opened 2 restaurants under the "Fulum (富臨)" main brand, 1 restaurant under the "Sportful Garden (陶源)" main brand and 5 restaurants under the "Fulum Concept (富臨概念)" main line in Hong Kong. As of 30 September 2016, the Group operated a total of 84 restaurants, among which, 47 restaurants were under the "Fulum (富臨)" main brand, 12 restaurants were under the "Sportful Garden (陶源)" main brand and 25 restaurants were under the "Fulum Concept (富臨概念)" main line.

"Fulum (富臨)" main brand and "Sportful Garden (陶源)" main brand remained as the important cornerstone of the Group. Meanwhile, the Group proactively explores more diversified dining experience to gratify local catering needs by launching different restaurants under the "Fulum Concept (富臨概念)" main line, including "MeokBang Korean BBQ & Bar (沐八韓烤)" and "Mount Hallasan BBQ (漢孛山烤肉)" specialising in Korean cuisine as well as "Royal One Pleasant Palace (皇室①號禧臨門)" targeting on wedding banquets, to keep abreast of the local dining trends. During the period, the Group further introduced the new brand "Co Co Kitchen (四季文昌)" mainly serving "coconut chicken hotpot in Hainan style". Currently, there are two restaurants located in Mong Kok and Tsim Sha Tsui respectively which are popular among the diners.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group has introduced a customer loyalty membership card programme in June 2015 as pilot testing under the operation of "Sportful Garden (陶源)" in Hong Kong for loyal customers to accumulate credit points and provide value-added benefits and gifts in order to encourage their frequent visits. Currently, there are more than 26,000 members in total under such membership programme. The Group will provide various membership benefits in the future so as to expand the long-term customers base.

For the PRC market, the Group currently opened "Fulum Palace (富臨皇宮)" restaurants in Guangzhou, Zhuhai and Fuzhou respectively. All of them which are located in the residential areas with dense population mainly provide mass catering services so as to meet the neighbourhoods' demand for Chinese cuisine and wedding venues within the regions. Believing in the enormous consumption power in the mainland market, the Group will open new restaurants in due course in the future to provide mainland residents with quality catering experience and services.

Furthermore, on 2 September 2016, China Sage International Limited (中賢國際有限公司), Mr. YEUNG Yun Chuen (楊潤全), Mr. YEUNG Yun Kei (楊潤基) and Mr. LEUNG Siu Sun (梁兆新), all of whom were the substantial shareholders of the Company, entered into a memorandum of understanding with Heaven-sent Capital Management Group Co., Ltd. (硅谷天堂資產管理集團股份有限公司), an independent third party, regarding the possible disposal of the shares of the Company held by them. Due diligence review is currently underway.

The following table sets forth the number of restaurants by business for the periods indicated.

	As at 30 September	
	2016	2015
<i>Number of restaurants (As at 30 September)</i>		
"Fulum (富臨)" main brand	47	44
"Sportful Garden (陶源)" main brand	12	10
"Fulum Concept (富臨概念)" main line	25	17
	<b>84</b>	71

### ANNUAL OFFER ARRANGEMENTS AND RIGHT OF FIRST REFUSAL

As stated in the prospectus of the Company dated 4 November 2014 ("Prospectus"), on 28 October 2014, Mr. YEUNG Wai ("Mr. Yeung"), Sportful Garden Restaurant Limited ("SGRL") and the Company entered into an option deed, pursuant to which, among other things, Mr. Yeung and SGRL agreed to offer, on an exclusive basis, an option to the Company to, at its sole and absolute discretion acquire (i) the interests of Mr. Yeung and/or SGRL in certain PRC restaurants (the "Excluded PRC Restaurants"); and (ii) certain trademarks in the PRC containing the Chinese character "陶源" and English letters "Sportful Garden" (the "PRC Sportful Garden Trademarks"), once in each financial year (the "Option"). Please refer to the section headed "Relationship with our Controlling Shareholders — Annual Offer Arrangements and Right of First Refusal" in the Prospectus for further details. As at 30 September 2016, there was only 1 Excluded PRC Restaurant still in operation and the Company had not exercised the Option.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW REVENUE

The total revenue of the Group increased by approximately 6.8%, or approximately HK\$89.2 million, from approximately HK\$1,308.8 million for the six months ended 30 September 2015 (the "Previous Reporting Period") to approximately HK\$1,398.0 million for the Reporting Period. The Group's businesses are mainly restaurant operations, and sale of food and other operating items.

Revenue from restaurant operations increased by approximately 6.7%, or approximately HK\$85.3 million, from approximately HK\$1,270.9 million for the Previous Reporting Period to approximately HK\$1,356.2 million for the Reporting Period. The increase was mainly due to the opening of new restaurants. The following table sets forth the breakdown of our revenue and % change from restaurant operations by line of business for the periods indicated.

	Six months ended 30 September		% Change
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	
<i>Restaurant operations</i>			
"Fulum (富臨)" main brand	1,026,891	979,913	4.8
"Sportful Garden (陶源)" main brand	159,923	166,851	(4.2)
"Fulum Concept (富臨概念)" main line	169,336	124,102	36.4

Revenue from sales of food and other operating items increased by approximately 10.0%, or approximately HK\$3.8 million from approximately HK\$38.0 million for the Previous Reporting Period to approximately HK\$41.8 million for the Reporting Period. The increase was mainly due to the increase in sales of festival food.

## OTHER INCOME AND GAINS

Other income and gains decreased by approximately 26.0%, or approximately HK\$2.8 million from approximately HK\$10.4 million for the Previous Reporting Period to approximately HK\$7.7 million for the Reporting Period. The decrease was mainly due to the decrease in interest income of the time deposit which amounted to approximately HK\$2.2 million.

## COST OF INVENTORIES SOLD

The cost of inventories sold by the Group increased by approximately 7.5%, or approximately HK\$29.1 million from approximately HK\$386.5 million for the Previous Reporting Period to approximately HK\$415.6 million for the Reporting Period. The cost of inventories sold increased was mainly due to the increase in revenue for the Reporting Period.

## GROSS PROFIT

Gross profit (Gross profit equals revenue minus cost of inventories sold) increased by approximately 6.5%, or approximately HK\$59.9 million from approximately HK\$922.4 million for the Previous Reporting Period to approximately HK\$982.3 million for the Reporting Period. The increase was mainly due to the contribution from new restaurants.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GROSS PROFIT MARGIN

The gross profit margin (Gross profit margin equals gross profit divided by revenue multiplied by 100%) of the Group for the Reporting Period and the Previous Reporting Period were at approximately 70.3% and 70.5%, respectively.

## STAFF COSTS

The staff costs for the Reporting Period and the Previous Reporting Period were approximately HK\$460.6 million and HK\$426.5 million respectively, representing approximately 32.9% and 32.6% of the respective periods' revenue. The increase in overall staff costs was mainly due to the increase in the Group's headcounts and a general increase in salary levels.

## PROPERTY RENTALS AND RELATED EXPENSES

The property rentals and related expenses increased by approximately 12.4%, or approximately HK\$28.1 million, from approximately HK\$226.2 million for the Previous Reporting Period to approximately HK\$254.3 million for the Reporting Period. The increase was mainly due to the increase in the number of restaurants of the Group during the Reporting Period.

## OTHER EXPENSES

Other expenses increased by approximately 3.9%, or approximately HK\$4.2 million, from approximately HK\$106.5 million for the Previous Reporting Period to approximately HK\$110.7 million for the Reporting Period. The increase was mainly due to increase in the exchange loss on deposits denominated in Renminbi of approximately HK\$1.8 million and the increase in the number of restaurants of the Group during the Reporting Period.

## FINANCE COSTS

The finance costs amounted to approximately HK\$401,000 for the Reporting Period and approximately HK\$450,000 for the Previous Reporting Period. The decrease in finance costs was primarily due to the decrease in the amount of bank borrowings.

## INCOME TAX EXPENSE

The effective tax rate increased from approximately 15.6% for the Previous Reporting Period to approximately 16.6% for the Reporting Period, primarily as a result of the recognition of previous years' deferred tax assets during the Previous Reporting Period.

## PROFIT FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the factors discussed above, the profit for the period and attributable to owners of the Company decreased by approximately 38.7%, or approximately HK\$10.6 million, from approximately HK\$27.4 million for the Previous Reporting Period to approximately HK\$16.8 million for the Reporting Period. The decrease was mainly affected by the higher costs of labour and property rentals during the Reporting Period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS AND OUTLOOK

The Group is confident in the long-term prospects of the catering market in Hong Kong and the PRC and will continue to adopt proactive and aggressive strategy. The Group plans to open 2 new restaurants under the “Fulum (富臨)” main brand and 3 featured restaurants under the “Fulum Concept (富臨概念)” main line during the year ending 31 March 2017. Under the impact of the sluggish retail environment in Hong Kong, the rental level of shops in Hong Kong shows a downward movement. Many large shopping malls or landlords of the shops in core areas proactively introduce catering operators with stable business, rather than rely on tenants of premium retail products. As a result, the Group has more alternatives in identifying locations for its new restaurants and will expand its landscape in public housing estates and in the New Territories.

The Group is also proactively identifying suitable targets for mergers and acquisitions with reference to the local catering trends and the preference of the public in order to provide the diners with better dining experience, and thus make Fulum Group a diversified catering kingdom.

For the PRC market, the Group plans to open 2 more “Fulum Palace (富臨皇宮)” restaurants and will increase the number of restaurants prudently during the year ending 31 March 2017. With the continuation of rapid development of the mainland mass catering market, the Group is rather optimistic towards the long-term development of the market and will remain prudent in expanding the scale of its catering business and strengthening its customer base.

## LIQUIDITY AND FINANCIAL RESOURCES

We funded our liquidity and capital requirements primarily through capital contributions from shareholders and cash inflows from operating activities. As at 30 September 2016, we had approximately HK\$569.7 million in cash and bank balances available. At as 30 September 2016, the current ratio of the Group was approximately 3.0 (31 March 2016: approximately 2.9).

As at 30 September 2016, the gearing ratio (being the total of finance lease and interest-bearing bank borrowings divided by total equity attributable to the owners of the Company) of the Group decreased to approximately 2.0% (31 March 2016: approximately 3.6%).

## MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES

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

## CAPITAL EXPENDITURE AND COMMITMENT

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

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

## CONTINGENT LIABILITIES

As at 30 September 2016, we had contingent liabilities not provided for in the condensed consolidated financial statements in the amount of approximately HK\$60.4 million (31 March 2016: approximately HK\$59.0 million) in relation to bank guarantees given in lieu of rental and utility deposits.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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). None of the Group's purchase during the Reporting Period was denominated in currencies other than 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 time deposits are denominated in Renminbi ("RMB") which is not freely convertible into other currencies. However, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, 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

As at 30 September 2016, the Group had approximately 5,300 employees. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a restaurant operator. During the Reporting Period, we have conducted a series of standardised training and advancement programs for all our staff, from serving staff, cashiers, floor managers, chefs, restaurant managers to district managers. These training programs intend to ensure that all new staff are equipped with the skills required for their positions. The advancement programs can provide our staff with clear advancement guidelines and promote employees' satisfaction. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurances and commissions/bonuses.

In addition, the Group also adopted a pre-IPO share option scheme and a post-IPO share option scheme, where eligible employees are entitled to subscribe for the ordinary shares in the Company for their past and potential contribution to the growth of the Group. As at 30 September 2016, 46,470,000 options were outstanding under the pre-IPO share option scheme and no share options under the pre-IPO share option scheme had been exercised during the Reporting Period. Also, as at 30 September 2016, no options had been granted or agreed to be granted pursuant to the post-IPO share option scheme.

## CHARGES ON GROUP ASSETS

As at 30 September 2016, the Group's certain assets with carrying amount in aggregate of approximately HK\$2.4 million (31 March 2016: approximately HK\$2.4 million) were pledged to secure its bank borrowings and/or utilities guarantees.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE CODE

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

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman (the “Chairman”) and the chief executive officer (the “Chief Executive Officer”) of the Company should be separated and should not be performed by the same individual. For the Reporting Period, the Company did not have a separate Chairman and Chief Executive Officer, with Mr. YEUNG Wai (楊維) performing these two roles, as Mr. YEUNG Wai (楊維) has in-depth experience and knowledge of the Group and its businesses. The Board is of the view that his appointment into the dual roles as the Chairman and the Chief Executive Officer is in the best interest of the Group in order to ensure continuity of leadership and efficiency in formulation and execution of corporate strategies, and that there is adequate balance of power and authority in place.

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

## MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct (the “Code of Conduct”) regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Based on responses of specific enquiries made with the Directors, all of the Directors have confirmed that they have complied with required standards as set out in the Model Code and Code of Conduct throughout the Reporting Period.

## AUDIT COMMITTEE

The Company established the Audit Committee on 28 October 2014 which comprises three independent non-executive Directors, namely Mr. WU Kam On Keith (鄔錦安) (chairman), Mr. LOCK Kwok On Anthony (駱國安) and Mr. FAN Chun Wah Andrew (范駿華), all of whom possess extensive experience in financial and general management. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	The Company/ name of associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Yeung Wai	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. Yeung Yun Chuen	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. Yeung Yun Kei	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. Leung Siu Sun	The Company	Beneficial owner	70,625,000 Shares (L) (Note 4)	5.43%

Notes:

- The letter "L" denotes the person's long position in the shares and underlying shares of the Company or the relevant associated corporation.
- Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei, being our executive Directors, are siblings, associates of each other under the Listing Rules and are deemed to be persons acting in concert under the Codes on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong. As such, each of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei is deemed to be interested in all the Shares in which the others are interested.
- These interests consist of 908,375,000 Shares and 18,300,000 underlying Shares ("Share Option Shares") comprised in the options granted to Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei pursuant to the Pre-IPO Share Option Scheme. (i) In respect of the 908,375,000 Shares, 272,025,000 Shares were held by Mr. Yeung Yun Chuen, 184,275,000 Shares were held by Mr. Yeung Yun Kei, and 452,075,000 Shares were held by China Sage International Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yeung Wai; (ii) in respect of the 18,300,000 Share Option Shares, 8,300,000 Share Option Shares, 6,000,000 Share Option Shares and 4,000,000 Share Option Shares were granted to Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei, respectively. As described in Note 2 above, each of Mr. Yeung Wai, Mr. Yeung Yun Chuen and Mr. Yeung Yun Kei is deemed to be interested in these 908,375,000 Shares and 18,300,000 Share Option Shares held by them in aggregate.
- These interests consist of 66,625,000 Shares and 4,000,000 Share Option Shares granted to Mr. Leung Siu Sun.

Save as disclosed above, as at 30 September 2016, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register that was required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2016, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the Shares and underlying Shares of the Company, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of Shareholder	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding in the Company
Ms. Lam Man Ki, Elane	Interest of spouse (Note 2)	926,675,000 Shares (L)	71.28%
Ms. Yung Yuk Ling	Interest of spouse (Note 3)	926,675,000 Shares (L)	71.28%
Ms. Hui Lin Na	Interest of spouse (Note 4)	926,675,000 Shares (L)	71.28%
China Sage International Limited	Beneficial owner (Note 5)	452,075,000 Shares (L)	34.78%
Ms. Leung Siu Kuen	Interest of spouse (Note 6)	70,625,000 Shares (L)	5.43%

Notes:

1. The letter "L" denotes the person or entity's long position in the shares and underlying shares of the Company.
2. Ms. Lam Man Ki Elane was deemed to be interested in all the Shares in which Mr. Yeung Wai, her spouse, was interested by virtue of the SFO.
3. Ms. Yung Yuk Ling was deemed to be interested in all the Shares in which Mr. Yeung Yun Chuen, her spouse, was interested by virtue of the SFO.
4. Ms. Hui Lin Na was deemed to be interested in all the Shares in which Mr. Yeung Yun Kei, her spouse, was interested by virtue of the SFO.
5. These Shares were held by China Sage International Limited. The entire issued shares of China Sage International Limited are owned by Mr. Yeung Wai.
6. Ms. Leung Siu Kuen was deemed to be interested in all the Shares in which Mr. Leung Siu Sun, her spouse, was interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2016, no person, other than the Directors and chief executive of the Company, had registered an interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SHARE OPTION SCHEMES

The Company operates a pre-initial public offering share option scheme (the "Pre-IPO Share Option Scheme") and a Share Option Scheme (the "Share Option Scheme") (collectively, the "Schemes") for the purpose of motivating eligible participants to optimise their future contributions to the Group and to reward them for the past contributions and to attract and retain or otherwise maintain ongoing relationships with such eligible participants whose contributions are or will be beneficial to the performance, growth or success of the Group.

Eligible participants of the Schemes include the Company's Directors, including independent non-executive Directors, other employees of the Group and any consultants, business or joint venture partners, franchisees, contractors, agents, representatives or service providers of any member of the Group. The Pre-IPO Share Option Scheme and the Share Option Scheme were adopted by the Company on 28 October 2014 and became effective on 28 October 2014 and 13 November 2014, respectively, and, unless otherwise cancelled or amended, will remain in force for 5 years and 10 years, respectively, from respective effective dates.

The maximum number of shares in respect of which options may be granted under the Schemes and any other schemes by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date unless shareholders' approval has been obtained.

The maximum number of shares issuable under the share options to each eligible participant in the Schemes within any 12-month period is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associate, in excess of 0.1% of the Shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's Shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and may commence from the date of the offer of the share options and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry dates of the Schemes, if earlier.

As at 30 September 2016, there are 46,470,000 outstanding options granted.

As at the date of this interim report, no option has been granted under the Share Option Scheme.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Details of the movements in the Company's outstanding share options granted under the Pre-IPO Share Option Scheme for the period ended 30 September 2016 were as follows:

Name or category of participant	At 1 April 2016	Exercised during the period	Lapsed or cancelled during the period	At 30 September 2016	Date of grant	Exercise period	Exercise price per Share (HK\$)	Closing price of the Shares on the trading day immediately before the date of grant (HK\$)
<b>Directors</b>								
Yeung Wai	8,300,000	–	–	2,739,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		–	–	2,739,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		–	–	2,822,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Yeung Yun Chuen	6,000,000	–	–	1,980,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		–	–	1,980,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		–	–	2,040,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Yeung Yun Kei	4,000,000	–	–	1,320,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		–	–	1,320,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		–	–	1,360,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Leung Siu Sun	4,000,000	–	–	1,320,000	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		–	–	1,320,000	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		–	–	1,360,000	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
<b>Employees of the Group</b>	25,130,000	–	(316,800)	7,976,100	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
		–	(316,800)	7,976,100	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
		–	(326,400)	8,217,800	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
<b>Total</b>	<b>47,430,000</b>	<b>–</b>	<b>(960,000)</b>	<b>46,470,000</b>				

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## STATUS UPDATE AS TO THE 34 BUILDING ORDERS

Reference is made to the 34 unreleased building orders registered against our leased premises in the section headed "Business — Building orders and fire safety directions registered against our leased premises" in the Prospectus. Among those 34 unreleased building orders, 4 of them were released, the rectification works of 24 of them have been completed and are subject to the release of the building orders while the remaining building orders are still being followed up, including those that we are unable to obtain co-operation from the relevant landlord(s) or incorporated owners to carry out the relevant rectification works.

## DIVIDENDS

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

## PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events undertaken by the Company or by the Group after 30 September 2016 and up to the date of this report.

## PUBLICATION OF INTERIM REPORT

The electronic version of this report will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.fulumgroup.com](http://www.fulumgroup.com)).

## APPRECIATION

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

The Board of  
**Fulum Group Holdings Limited**  
**YEUNG WAI**  
*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, 28 November 2016

*As at the date of this report, 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. Lock Kwok On Anthony and Mr. Wu Kam On Keith as independent non-executive Directors.*



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 September 2016

The board (the "Board") of 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 2016 together with comparative figures for the corresponding period in 2015. The interim condensed consolidated financial statements for the six months ended 30 September 2016 have not been audited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

	Notes	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>REVENUE</b>	5	<b>1,397,964</b>	1,308,821
Other income and gains	5	7,656	10,438
Cost of inventories sold		(415,633)	(386,456)
Staff costs		(460,585)	(426,525)
Property rentals and related expenses		(254,275)	(226,190)
Depreciation		(47,185)	(49,210)
Fuel and utility expenses		(96,703)	(91,403)
Other expenses		(110,693)	(106,540)
Finance costs	6	(401)	(450)
<b>PROFIT BEFORE TAX</b>	7	<b>20,145</b>	32,485
Income tax expense	8	(3,347)	(5,061)
<b>PROFIT FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>16,798</b>	27,424
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
— Basic	10	HK1.29 cents	HK2.11 cents
— Diluted	10	HK1.29 cents	HK2.09 cents

Details of the dividends payable and proposed for the period are disclosed in note 9 below.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2016

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	16,798	27,424
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,650)	(625)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE EQUITY	15,148	26,799

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

	Notes	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	287,522	278,369
Goodwill		58,707	58,707
Intangible assets		13,000	13,000
Deposits		114,550	88,344
Deferred tax assets		37,291	27,856
Total non-current assets		511,070	466,276
<b>CURRENT ASSETS</b>			
Inventories	12	77,891	67,543
Trade receivables	13	17,840	7,678
Prepayments, deposits and other receivables		53,370	65,461
Tax recoverable		20,008	14,080
Pledged time deposit		2,365	2,365
Cash and cash equivalents		569,698	660,260
Total current assets		741,172	817,387
<b>CURRENT LIABILITIES</b>			
Trade payables	14	72,848	87,805
Other payables, accruals and deferred income		138,889	126,992
Interest-bearing bank borrowings		16,510	33,748
Finance lease payables		639	402
Due to related parties		880	884
Provision		1,550	6,305
Tax payable		18,026	10,692
Total current liabilities		249,342	266,828
<b>NET CURRENT ASSETS</b>		<b>491,830</b>	550,559
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,002,900</b>	1,016,835

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2016

	Notes	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Accruals and deferred income		28,157	29,509
Finance lease payables		1,411	641
Provision		32,772	25,214
Deferred tax liabilities		1,484	2,052
Total non-current liabilities		63,824	57,416
Net assets		939,076	959,419
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		1,300	1,300
Reserves		937,776	958,119
Total equity		939,076	959,419

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2016

	Attributable to owners of the Company							
	Issued capital	Share premium account	Other reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015 (Audited)	1,300	540,140	(5,372)	31,073	5,166	(12)	341,433	913,728
Profit for the period	-	-	-	-	-	-	27,424	27,424
Other comprehensive loss for the period								
Exchange differences on translation of foreign operations	-	-	-	-	-	(625)	-	(625)
Total comprehensive income for the period	-	-	-	-	-	(625)	27,424	26,799
Equity-settled share option arrangement	-	-	-	-	5,451	-	-	5,451
Final 2015 dividend declared (note 9)	-	-	-	-	-	-	(65,000)	(65,000)
At 30 September 2015 (Unaudited)	1,300	540,140	(5,372)	31,073	10,617	(637)	303,857	880,978
At 1 April 2016 (Audited)	1,300	540,140*	(5,372)*	31,073*	15,845*	(1,404)*	377,837*	959,419
Profit for the period	-	-	-	-	-	-	16,798	16,798
Other comprehensive loss for the period								
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,650)	-	(1,650)
Total comprehensive income for the period	-	-	-	-	-	(1,650)	16,798	15,148
Equity-settled share option arrangement	-	-	-	-	5,069	-	-	5,069
Final 2016 dividend declared (note 9)	-	-	-	-	-	-	(40,560)	(40,560)
At 30 September 2016 (Unaudited)	1,300	540,140*	(5,372)*	31,073*	20,914*	(3,054)*	354,075*	939,076

\* These reserve accounts comprise the consolidated reserves of HK\$937,776,000 (31 March 2016: HK\$958,119,000) in the condensed consolidated statement of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2016

		Six months ended 30 September	
	Notes	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		20,145	32,485
Adjustments for:			
Depreciation		47,185	49,210
Interest income	5	(1,627)	(3,809)
Finance costs	6	401	450
Equity-settled share option expenses	7	5,069	5,451
Gain on disposal of items of property, plant and equipment, net	5	(90)	–
		<b>71,083</b>	83,787
Increase in inventories		(10,405)	(3,499)
Increase in trade receivables		(10,178)	(7,479)
Increase in prepayments, deposits and other receivables		(14,265)	(15,763)
Increase/(decrease) in trade payables		(14,733)	8,601
Increase/(decrease) in other payables, accruals and deferred income		9,844	(10,934)
Decrease in provision		–	(588)
		<b>31,346</b>	54,125
Cash generated from operations		1,627	3,809
Interest received		(44)	(35)
Interest element of finance lease rental payments		(11,020)	(14,916)
Hong Kong profits tax paid		(930)	–
PRC corporate income tax paid			
		<b>20,979</b>	42,983
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(52,606)	(51,090)
Proceeds from disposal of items of property, plant and equipment		90	–
Deposits paid for purchase of items of property, plant and equipment		–	(4,288)
		<b>(52,516)</b>	(55,378)
Net cash flows used in investing activities			

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Six months ended 30 September 2016

	<i>Notes</i>	Six months ended	
		2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of bank loan		(20,000)	(30,000)
Capital element of finance lease rental payments		(249)	(210)
Dividends paid		(40,560)	(65,000)
Repayment to related parties		(122)	(16)
Advance from related parties		119	–
Interest paid		(357)	(415)
Net cash flows used in financing activities		(61,169)	(95,641)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		659,845	704,094
Effect of foreign exchange rate changes, net		(618)	(316)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		566,521	595,742
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		569,698	595,742
Bank overdrafts, unsecured		(3,177)	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		566,521	595,742

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2016

## 1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 24 February 2014. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 15th Floor, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company and the Company's subsidiaries were principally engaged in restaurant operations in Hong Kong. The shares of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2014 (the "Listing").

## 2. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 have been prepared in accordance Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2016.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation) issued by the HKICPA, which are effective for the first time for the current period's unaudited condensed consolidated interim financial statements.

Amendments to HKFRS 10, HKFRS 12  
and HKAS 28 (2011)

Amendments to HKFRS 11

Amendments to HKAS 1

Amendments to HKAS 16 and HKAS 38

Amendments to HKAS 16 and HKAS 41

Amendments to HKAS 27 (2011)

*Annual Improvements 2012–2014 Cycle*

*Investment Entities: Applying the Consolidated Exception*

*Accounting for Acquisitions of Interests in  
Joint Operations*

*Disclosure Initiative*

*Clarification of Acceptable Methods of Depreciation  
and Amortisation*

*Agriculture: Bearer Plants*

*Equity Method in Separate Financial Statements*

Amendments to a number of HKFRSs

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

### 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in restaurant operations in Hong Kong. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

### INFORMATION ABOUT GEOGRAPHICAL AREAS

The following tables present revenue from external customers for the six months ended 30 September 2016 and 2015, and certain non-current asset information as at 30 September 2016 and 31 March 2016, by geographical areas.

#### (A) REVENUE FROM EXTERNAL CUSTOMERS

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	1,343,247	1,263,530
Mainland China	54,717	45,291
	<b>1,397,964</b>	<b>1,308,821</b>

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

#### (B) NON-CURRENT ASSETS

	30 September 2016	31 March 2016
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	315,947	300,729
Mainland China	43,282	49,347
	<b>359,229</b>	<b>350,076</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

#### 4. OPERATING SEGMENT INFORMATION *(Continued)* INFORMATION ABOUT MAJOR CUSTOMERS

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

#### 5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Restaurant operations	1,356,150	1,270,866
Sale of food and other operating items	41,814	37,955
	<b>1,397,964</b>	1,308,821
<b>Other income and gains</b>		
Bank interest income	1,627	3,809
Licensing income	1,027	1,158
Sponsorship income	3,730	2,364
Gain on disposal of items of property, plant and equipment, net	90	–
Others	1,182	3,107
	<b>7,656</b>	10,438

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

### 6. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank overdrafts and bank loan	357	415
Interest on finance leases	44	35
	<b>401</b>	<b>450</b>

### 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	212,950	188,741
Contingent rents	398	3
	<b>213,348</b>	<b>188,744</b>
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	436,705	404,513
Equity-settled share option expense	5,069	5,451
Retirement benefit scheme contributions (defined contribution scheme)	18,811	16,561
	<b>460,585</b>	<b>426,525</b>
Foreign exchange differences, net	<b>6,931</b>	<b>5,123</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

## 8. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% (six months ended 30 September 2015: 16.5%) during the period.

The subsidiaries of the Company established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% during the current period. No provision for corporate income tax had been made for the Company's subsidiaries in Mainland China as no assessable profits was generated in Mainland China during the six months ended 30 September 2015.

## 9. DIVIDEND

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Dividend recognised as distribution during the period:</b>		
Final 2016 – HK3.12 cents (2015: HK5.00 cents) per ordinary share	<b>40,560</b>	65,000

The proposed final dividend of HK\$40,560,000 for the year ended 31 March 2016 was approved by the Company's shareholders on 19 August 2016.

The proposed final dividend of HK\$65,000,000 for the year ended 31 March 2015 was approved by the Company's shareholders on 14 August 2015.

The Directors do not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2015: Nil).

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

The calculation of the basic earnings per share amounts for the period is based on profit for the six months ended 30 September 2016 attributable to ordinary equity holders of the Company of HK\$16,798,000 (2015: HK\$27,424,000) and the weighted average number of ordinary shares of 1,300,000,000 (2015: 1,300,000,000) in issue and issuable during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the six months ended 30 September 2016 attributable to ordinary equity holders of the Company of HK\$16,798,000 (2015: HK\$27,424,000), and the weighted average number of ordinary shares of 1,300,000,000 (2015: 1,300,000,000), as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,148,323 (2015: 9,715,517) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

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

	30 September 2016 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	16,798	27,424
	Number of Shares Six months ended 30 September 2016	2015
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,300,000,000	1,300,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	2,148,323	9,715,517
	1,302,148,323	1,309,715,517

### 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of property, plant and equipment of HK\$57,957,000 (six months ended 30 September 2015: HK\$61,361,000).

### 12. INVENTORIES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Food and beverages	75,184	64,146
Other operating items for restaurant operations	2,707	3,397
	77,891	67,543

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

### 13. TRADE RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Credit card receivables	4,617	3,162
Others	13,223	4,516
	<b>17,840</b>	<b>7,678</b>

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

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	13,705	4,232
1 to 3 months past due	1,405	611
3 to 12 months past due	2,280	2,478
Over 12 months past due	450	357
	<b>17,840</b>	<b>7,678</b>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a few customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

### 14. TRADE PAYABLES

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within 1 month	54,424	69,285
1 to 3 months	16,502	17,911
3 to 12 months	1,835	279
Over 12 months	87	330
	<b>72,848</b>	<b>87,805</b>

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

### 15. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

	Six months ended 30 September 2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Related companies*:		
Purchase of food	718	793
Rental expenses#	40,662	39,923

\* These related companies were controlled by the controlling shareholders and/or their family members.

# These related party transactions also constitute continuing connected transactions as deferred in Chapter 14A of the Listing Rules.

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

### 15. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group is as follows:

	Six months ended 30 September 2016		2015
	HK\$'000 (Unaudited)		HK\$'000 (Unaudited)
Short term employee benefits	4,112		4,239
Post-employment benefits	63		78
Equity-settled share option expense	3,182		3,083
Total compensation paid to key management personnel	7,357		7,400

### 16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities of HK\$60,398,000 (31 March 2016: HK\$58,965,000), in respect of bank guarantees given in lieu of rental and utility deposits.

### 17. COMMITMENTS

#### (A) OPERATING LEASE ARRANGEMENTS — AS LESSEE

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to twelve years.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2016	31 March 2016
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Within one year	351,604	391,425
In the second to fifth years, inclusive	390,093	435,607
Beyond five years	40,058	43,266
	781,755	870,298



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2016

## 17. COMMITMENTS *(Continued)*

### (A) OPERATING LEASE ARRANGEMENTS — AS LESSEE *(Continued)*

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and a contingent rent based on the sales of these restaurants pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

### (B) CAPITAL COMMITMENTS

The Group did not have any capital commitments contracted, but not provided for property, plant and equipment (31 March 2016: Nil).

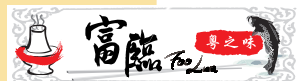


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PLEASANT PALACE

正本魚塘公  
WINTER  
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正東術同烤豬  
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