



# 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


## 2019 INTERIM REPORT 中期報告





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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. WU Kam On Keith  
Mr. NG Ngai Man Raymond

### 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. NG Ngai Man Raymond

### MEMBERS OF NOMINATION COMMITTEE

Mr. FAN Chun Wah Andrew *(Chairman)*  
Mr. YEUNG Wai  
Mr. NG Ngai Man Raymond

### MEMBERS OF REMUNERATION COMMITTEE

Mr. NG Ngai Man Raymond *(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

Conyers 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

## AUDITOR

Ernst & Young  
*Certified Public Accountants*

## LEGAL ADVISER AS TO HONG KONG LAWS

Benny Pang & Co

## STOCK CODE

The Stock Exchange of Hong Kong Limited  
01443

## WEBSITE

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

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

<sup>1</sup> 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%.

<sup>2</sup> The calculation of the basic earnings per share amounts is based on profit for the period attributable to ordinary equity holders of the Company of approximately HK\$12,693,000 (corresponding period in 2017: approximately HK\$11,647,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2017: 1,300,000,000) in issue during the Reporting Period.

<sup>3</sup> Gearing ratio is calculated by dividing the total of finance leases and interest-bearing bank borrowings by total equity attributable to owners of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

Robust sales figures appeared to set a positive tone for the local retail industry, with the total retail sales in Hong Kong for the first nine months of 2018 continued to record an overall increase, while the total revenue of restaurants for the second quarter of 2018 registered a year-on-year increase of approximately 6.6%. Yet, the global economy was fraught with uncertainties bred by the trade war this year and the market adopted a wait-and-see attitude towards the developments. Given the escalating global inflation, the Composite Consumer Price Index (the "Index") for the third quarter of 2018 in Hong Kong rose by 2.5%, i.e. the underlying inflation rate, compared with the same period in 2017, of which the food (excluding meals bought away from home) category in particular recorded a significant rise in the Index, with a year-on-year increase of approximately 4.8%. As the market forecast tends to be more conservative towards economic growth, coupled with rising prices of commodities and food ingredients, the catering industry is put under operating pressure. Despite great market volatility, the Group believes that there will be a steady growth of the catering market in the future and continues to implement a strategy of change amidst stability in response to the challenges.

For the PRC market, according to the "Annual Report on Catering Industry of China in 2018 (2018年中國餐飲業年度報告)" released by the China Hotel Association, the proportion of high-end consumption declined while mass consumption dominated the mainstream market during the Reporting Period. As consumers' income rises and the middle class expands, the move towards diversity of the catering consumption structure gathers pace, and the industry offers distinctive yet better quality services. Moreover, online take-out market maintains rapid growth and quality catering brands play a distinct leadership role. The catering industry has played a strong role in expanding domestic demand, promoting consumption, stabilising growth, and benefiting people's livelihood. The catering market continues to show steady growth momentum.

## BUSINESS REVIEW

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

"Fulum (富臨)" main brand and "Sportful Garden (陶源)" main brand are important cornerstone of the Group. Currently, restaurants under the "Fulum (富臨)" main brand, including "Fulum Palace (富臨皇宮)", "Fulum Restaurant (富臨酒家)", "Fulum Fisherman's Wharf Restaurant (富臨漁港)", "Fulum (富臨)", "Fulum (富臨粵之味)", "Royal One (皇室①號)", "Pleasant Palace (禧臨門酒家)" and "Banquet Palace (金皇廷禧宴)", provide Cantonese cuisine for mass market customers, while restaurants under the "Sportful Garden (陶源)" main brand focus on mid to high-end Cantonese cuisine targeting mid to high-end customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, the Group proactively launched different restaurants under the “Fulum Concept (富臨概念)” main line in recent years, including “MeokBang Korean BBQ & Bar (焗八韓烤)” and “Meokbang Taste (焗八Taste)” specialising in Korean cuisine and “Treasure City Hot Pot Seafood Restaurant (富城火鍋海鮮酒家)”, “Winter Steam Pot Restaurant (正冬火鍋料理)”, “Co Co Kitchen (四季文昌)” and “Winter Yutango Restaurant (正冬魚塘公)” which mainly serve hotpot cuisine. During the Reporting Period, a number of catering brands were newly launched under the “Fulum Concept (富臨概念)” main line, including “The Charcoal Room (柞木炭家)”, a high-end Korean grill house currently opened in Mong Kok which offers food grilled over quality charcoal instead of being served on a cast iron plate; “Café Coco (加多樂餐廳)” opened in San Po Kong and “Lung Mun Cafe (龍門冰室)” opened in Tuen Mun and Aberdeen which both offer local bing sutt fast food; and “COTI” currently opened in Kwun Tong featuring quality coffee and tasty healthy light meals which is well-received by neighbouring office workers and is expected to increase the number of restaurants.

The Group introduced a membership card programme in 2015 in the restaurants of “Sportful Garden (陶源)” as a reward for loyal customers to accumulate credit points to redeem for value-added benefits and gifts. Currently, there are more than 48,000 members in total under such membership programme. The Group will provide more membership benefits and privileges in the future in order to increase the number of long-term customers.

For the PRC market, the Group currently operates “Fulum Palace (富臨皇宮)” restaurants in Guangzhou, Zhuhai and Fuzhou, respectively. All of them are located in the densely-populated residential areas and mainly provide mass catering services so as to meet the residents’ demand for Chinese cuisine and wedding venues within the regions. Believing in the enormous consumption power in the Mainland market, the Group will open new restaurants in due course in the future to provide the Mainland citizens with quality catering experience and services.

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

	As at 30 September	
	2018	2017
<b>Number of restaurants</b>		
“Fulum (富臨)” main brand	37	45
“Sportful Garden (陶源)” main brand	11	12
“Fulum Concept (富臨概念)” main line	31	28
	<b>79</b>	<b>85</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Annual Offer Arrangements and Right of First Refusal

As stated in the prospectus of the Company dated 4 November 2014 (the "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 2018, there was only one Excluded PRC Restaurant still in operation and the Company had not exercised the Option.

## FINANCIAL REVIEW

### Revenue

The total revenue of the Group decreased by approximately 7.6%, or approximately HK\$105.3 million, from approximately HK\$1,381.3 million for the Previous Reporting Period to approximately HK\$1,276.0 million for the Reporting Period. The Group's businesses are mainly restaurant operations, and sale of food and other operating items.

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

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

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

### Other Income and Gains, Net

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of Inventories Sold

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

## Gross Profit

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

## Gross Profit Margin

The gross profit margin (gross profit margin equals gross profit divided by revenue multiplied by 100%) of the Group for the Reporting Period and the Previous Reporting Period were at approximately 70.7% and 71.3%, respectively. The decrease was mainly due to the increase in the cost of food and beverages used in the operation during the Reporting Period.

## Staff Costs

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

## Property Rentals and Related Expenses

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

## Other Expenses

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

## Finance Costs

The finance costs amounted to approximately HK\$210,000 for the Reporting Period and approximately HK\$219,000 for the Previous Reporting Period. The decrease in finance costs was primarily due to the decrease in the amount of bank borrowings during the Reporting Period.

## Income Tax Expense

The effective tax rate increased from approximately 18.9% for the Previous Reporting Period to approximately 19.5% for the Reporting Period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit attributable to Owners of the Company

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

## PROSPECTS AND OUTLOOK

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

We funded our liquidity and capital requirements primarily through capital contributions from shareholders of the Company (the “Shareholder(s)”) and cash inflows from operating activities. As at 30 September 2018, we had approximately HK\$506.3 million in cash and bank balances available. At as 30 September 2018, the current ratio of the Group was approximately 3.9 (31 March 2018: approximately 3.4).

As at 30 September 2018, 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 0.8% (31 March 2018: approximately 1.2%). All of the Group’s finance lease and interest-bearing bank borrowings are denominated in Hong Kong dollars.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

As at 30 September 2018, we had contingent liabilities not provided for in the condensed consolidated interim financial statements in the amount of approximately HK\$53.3 million (31 March 2018: approximately HK\$48.8 million) in relation to bank guarantees given in lieu of rental and utility deposits.

## CHARGES ON GROUP ASSETS

As at 30 September 2018, the Group has no asset that were pledge to secure its borrowings and/or utilities guarantees. As at 31 March 2018, the Group's certain assets with carrying amount in aggregate of approximately HK\$71.1 million were pledged to secure its bank borrowings and/or utilities guarantees.

## FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (to the extent that revenue or expenses are denominated in a currency that is different from the functional currency of the relevant subsidiaries of the Group). Majority of the Group's purchase during the year under review was denominated in the functional currency of the relevant subsidiaries.

The Group's assets, liabilities and transactions are mainly denominated in Hong Kong dollars. Certain of the Group's bank balances are denominated in Renminbi ("RMB") which is not freely convertible into other currencies. However, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations of the PRC, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The directors of the Company (the "Director(s)") 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 2018, the Group had approximately 3,700 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 (the "Share(s)") for their past and potential contribution to the growth of the Group. As at 30 September 2018, 43,090,000 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 2018, no options had been granted or agreed to be granted pursuant to the post-IPO share option scheme.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND

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

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

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

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the special dividend for the Reporting Period, the Company’s register of members will be closed from Thursday, 13 December 2018 to Friday, 14 December 2018, both days inclusive, during which no transfer of shares will be registered. In order for a Shareholder to qualify for the special dividend, all share transfer documents, accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 12 December 2018 for registration.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

### Compliance with the Corporate Governance Code

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

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

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

### Nomination Policy

On 28 November 2018, the Board adopted a nomination policy (the “Nomination Policy”) on the recommendation of the Nomination Committee, which describes the procedure by which the Company will select candidate(s) for possible inclusion in the Board. The Board considers the Nomination Policy could strengthen the transparency and accountability of the Board and Nomination Committee and election of directors. In assessing the suitability of a proposed candidate before recommending to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies, the Nomination Committee will consider: (i) character and integrity of the proposed candidate; (ii) qualifications of the proposed candidate including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy; (iii) accomplishment and experience of the proposed candidate in the business from time to time conducted, engaged in or invested in by any member of the Group; (iv) commitment of the proposed candidate in respect of available time and relevant interest; (v) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; (vi) board diversity policy and any measurable objectives for achieving diversity on the Board; and (vii) such other perspectives appropriate to the Company’s business. The Nomination Committee also ensures the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Dividend policy

The Company considers stable and sustainable returns to the Shareholders to be its goal. It is the policy of the Board, in declaring or recommending a payment of dividend, to allow the Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth. On 28 November 2018, the Board adopted a dividend policy (the "Dividend Policy") on the recommendation of the Audit Committee in order to promote greater dividend policy transparency. In deciding whether to recommend the payment of dividend to the Shareholders, the Board will take into account of (i) general business conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; (ii) the financial condition and results of operations of the Group; (iii) the expected capital requirements and future expansion plans of the Group; (iv) future prospects of the Group; (v) statutory and regulatory restrictions; (vi) contractual restrictions on the payment of dividend by the Group to the Shareholders or by the subsidiaries of the Company to the Company; (vii) taxation considerations; (viii) shareholders' interests; and (ix) other factors the Board may deem relevant. The Board may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

Whilst the Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, such dividend policy will continue to be reviewed from time to time and there can be no assurance that dividend will be recommended or declared in any particular amount for any given period. The declaration of or recommendation of declaration of dividends is subject to the absolute discretion of the Board. Even if the Board decides to recommend and declare dividend, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The payment of dividend is also subject to applicable laws and regulations and the Company's constitutional documents.

## 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## AUDIT COMMITTEE

The Company established the Audit Committee on 28 October 2014 with the revised written terms of reference adopted on 1 February 2016. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting and to oversee the audit process, risk management system and internal control procedures of the Group. Mr. Fan Chun Wah Andrew, Mr. Wu Kam On Keith and Mr. Ng Ngai Man Raymond, all being independent non-executive Directors, are members of the Audit Committee with Mr. Wu Kam On Keith, being the chairman.

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

## 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 2018, 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%

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Notes:

1. The letter “L” denotes the person’s long position in the shares and underlying shares of the Company or the relevant associated corporation.
2. 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 and Share Buy-backs 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.
3. 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.
4. 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 2018, 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 2018, 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 2018, 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 2018, there are 43,090,000 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 six months ended 30 September 2018 were as follows:

Name or category of participant	At 1 April 2018	Exercised during the period	Lapsed or cancelled during the period	At 30 September 2018	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\$)
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
Employees of the Group	21,150,000	–	(118,800)	6,860,700	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
			(118,800)	6,860,700	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
			(122,400)	7,068,600	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Total	43,450,000	–	(360,000)	43,090,000				

# 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, five of them were no longer the leased premises of the Group as at the date of this report, four of them were released, 19 of them have been completed with rectification works 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events undertaken by the Company or by the Group after 30 September 2018 and up to the date of this 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 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.

The Board of  
**Fulum Group Holdings Limited**  
**YEUNG WAI**

*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, 28 November 2018

*As at the date of this 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. Wu Kam On Keith and Mr. Ng Ngai Man Raymond as independent non-executive Directors.*

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 September 2018

The board (the "Board") of directors (the "Directors") of Fulum Group Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group"), hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2018 (the "Reporting Period") together with comparative figures for the corresponding period in 2017 (the "Previous Reporting Period"). The condensed consolidated interim financial statements for the Reporting Period have not been audited, but have been reviewed by the audit committee of the Company (the "Audit Committee").

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>12,802</b>	11,647
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(5,874)</b>	2,111
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>6,928</b>	13,758
Attributable to:		
Owners of the Company	<b>6,819</b>	13,758
Non-controlling interests	<b>109</b>	–
	<b>6,928</b>	13,758

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2018

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2018

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2018

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Issued capital	Share premium account	Other reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 April 2017	1,300	540,140	(5,372)	31,073	25,664	(4,559)	420,308	1,008,554	-	1,008,554
Profit for the period	-	-	-	-	-	-	11,647	11,647	-	11,647
Other comprehensive income for the period										
Exchange differences on translation of foreign operations	-	-	-	-	-	2,111	-	2,111	-	2,111
Total comprehensive income for the period	-	-	-	-	-	2,111	11,647	13,758	-	13,758
Equity-settled share option arrangement	-	-	-	-	4,961	-	-	4,961	-	4,961
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	(248)	-	248	-	-	-
At 30 September 2017 (Unaudited)	1,300	540,140	(5,372)	31,073	30,377	(2,448)	432,203	1,027,273	-	1,027,273
At 1 April 2018	1,300	540,140	(5,372)	31,073	26,744	1,461	430,208	1,025,554	-	1,025,554
Profit for the period	-	-	-	-	-	-	12,693	12,693	109	12,802
Other comprehensive loss for the period										
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,874)	-	(5,874)	-	(5,874)
Total comprehensive income for the period	-	-	-	-	-	(5,874)	12,693	6,819	109	6,928
Equity-settled share option arrangement	-	-	-	-	1,086	-	-	1,086	-	1,086
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	(156)	-	156	-	-	-
Final 2018 dividend	-	-	-	-	-	-	(17,030)	(17,030)	-	(17,030)
Special 2018 dividend	-	-	-	-	-	-	(47,970)	(47,970)	-	(47,970)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	600	600
At 30 September 2018 (Unaudited)	1,300	540,140*	(5,372)*	31,073*	27,674*	(4,413)*	378,057*	968,459	709	969,168

\* These reserve accounts comprise the consolidated reserves of HK\$967,159,000 (31 March 2018: HK\$1,024,254,000) in the condensed consolidated statement of financial position.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		15,905	14,353
Adjustments for:			
Depreciation		39,770	45,379
Interest income	5	(1,943)	(1,577)
Gain on disposal of items of property, plant and equipment, net	5	(1,746)	–
Gain on waiver of a reinstatement liability	5	(454)	–
Finance costs	6	210	219
Equity-settled share option expenses	7	1,086	4,961
Write-off of items of property, plant and equipment	7	278	–
		<b>53,106</b>	63,335
Increase in inventories		(16,189)	(17,086)
Increase in trade receivables		(9,184)	(18,461)
Decrease in prepayments, deposits and other receivables		9,561	677
Increase/(decrease) in trade payables		(33,381)	15,028
Decrease in other payables, accruals and deferred income		(30,185)	(14,847)
Decrease in provision		(5,445)	–
		<b>(31,717)</b>	28,646
Cash generated from/(used in) operations		<b>(31,717)</b>	28,646
Interest received		1,943	1,577
Interest element of finance lease rental payments		(32)	(50)
Hong Kong profits tax paid		(3,833)	(3,566)
PRC corporate income tax paid		(259)	(1,388)
		<b>(33,898)</b>	25,219
<b>Net cash flows from/(used in) operating activities</b>		<b>(33,898)</b>	25,219
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(38,824)	(21,804)
Proceeds from disposal of items of property, plant and equipment		150	–
Deposit paid for purchase of items of property, plant and equipment		(43,562)	–
Decrease in a pledged time deposit		71,142	2,377
		<b>(11,094)</b>	(19,427)
<b>Net cash flows used in investing activities</b>		<b>(11,094)</b>	(19,427)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Six months ended 30 September 2018

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	4,800	–
Repayment of bank loans	(8,470)	(10,650)
Capital element of finance lease rental payments	(246)	(352)
Dividends paid	(65,000)	–
Interest paid	(178)	(169)
Capital contributions from non-controlling interest	600	–
<b>Net cash flows used in financing activities</b>	<b>(68,494)</b>	<b>(11,171)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	623,169	637,353
Effect of foreign exchange rate changes, net	(3,376)	1,102
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>506,307</b>	<b>633,076</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and in the condensed consolidated statement of cash flows	506,307	633,076

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2018

## 1. CORPORATE INFORMATION

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

The Company is an investment holding company and the Company's subsidiaries were principally engaged in restaurant operations in Hong Kong and the People's Republic of China (the "PRC" or "Mainland China"). The shares of the Company (the "Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 November 2014.

## 2. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation) issued by the HKICPA, which are effective for the first time for the current period's unaudited condensed consolidated interim financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share – based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

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

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

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

### HKFRS 9 *Financial Instruments*

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

#### **(a) Classification and measurement**

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

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

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

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

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

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

#### **(b) Impairment**

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 4. OPERATING SEGMENT INFORMATION

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

### Information about Geographical Areas

The following tables present revenue from external customers for the six months ended 30 September 2018 and 2017, and certain non-current assets information as at 30 September 2018 and 31 March 2018, by geographical areas.

#### (a) Revenue from external customers

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

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

#### (b) Non-current assets

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

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

### Information about Major Customers

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 6. FINANCE COSTS

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

## 7. PROFIT BEFORE TAX

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

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

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 8. INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% (six months ended 30 September 2017: 16.5%) during the period.

The subsidiaries of the Company established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (six months ended 30 September 2017: 25%) during the current period.

## 9. DIVIDENDS

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Dividends recognised as distribution during the period:</b>		
Special final 2018 – HK3.69 cents (2017: Nil) per ordinary share	47,970	–
Final 2018 – HK1.31 cents (2017: Nil) per ordinary share	17,030	–
	65,000	–
<b>Dividend proposed after the end of the reporting period:</b>		
Proposed special – HK3.5 cents (2017: Nil) per ordinary share	45,500	–

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

The Board has resolved to declare a one-off special dividend of HK3.5 cents per ordinary share, totalling approximately HK\$45,500,000. The proposed special dividend has been approved at the Company's board meeting held on 28 November 2018.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

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

The calculation of the diluted earnings per share amounts is based on the profit for the six months ended 30 September 2018 attributable to ordinary equity holders of the Company of HK\$12,693,000 (six months ended 30 September 2017: HK\$11,647,000), and the total of (i) the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2017: 1,300,000,000), as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares of Nil (six months ended 30 September 2017: 2,753,948) assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

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

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	12,693	11,647
	Number of Shares	
	2018	2017
<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	–	2,753,948
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	1,300,000,000	1,302,753,948

## 11. PROPERTY, PLANT AND EQUIPMENT

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 12. INVENTORIES

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

## 13. TRADE RECEIVABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Credit card receivables	10,870	10,706
Others	21,875	13,011
	<b>32,745</b>	<b>23,717</b>
Impairment	(2,811)	(2,811)
	<b>29,934</b>	<b>20,906</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 (31 March 2018: 30 to 60 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 13. TRADE RECEIVABLES (Continued)

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

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

An aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Neither past due nor impaired	25,219	14,722
1 to 3 months past due	2,561	1,833
3 to 12 months past due	1,828	3,723
Over 12 months past due	326	628
	<b>29,934</b>	<b>20,906</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 2018

## 14. TRADE PAYABLES

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

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

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

## 15. CONTINGENT LIABILITIES

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 16. OPERATING LEASE ARRANGEMENTS

### As lessee

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

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

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

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

## 17. COMMITMENTS

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2018

## 18. 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	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Related companies*:		
Purchase of food	1,655	910
Rental expenses#	57,340	50,089

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

# These related party transactions also constitute continuing connected transactions as defined 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.

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

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	3,766	3,747
Post-employment benefits	63	63
Equity-settled share option expense	724	3,182
Total compensation paid to key management personnel	4,553	6,992



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