



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

2020
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 54, 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

STOCK CODE

01443

WEBSITE

www.fulumgroup.com

- Revenue was approximately HK\$1,083.8 million (corresponding period in 2018: approximately HK\$1,276.0 million), representing a decrease of approximately 15.1%
- Gross profit margin¹ was at approximately 68.3% (corresponding period in 2018: approximately 70.7%), representing a decrease of approximately 2.4 percentage point
- Earnings before interest, tax, depreciation and amortisation was approximately HK\$87.4 million (corresponding period in 2018: approximately HK\$55.9 million), representing an increase of approximately 56.4%
- Loss attributable to owners of the Company was approximately HK\$63.8 million (corresponding period in 2018: profit attributable to owners of the Company of approximately HK\$12.7 million)
- Basic loss per share² was HK4.90 cents (corresponding period in 2018: earnings per share was HK0.98 cents)
- The guest count was approximately 10.7 million (corresponding period in 2018: approximately 12.6 million), representing a decrease of approximately 15.4%
- The Board has resolved not to declare the payment of any interim dividend

¹ Gross profit equals revenue minus cost of inventories sold. Gross profit margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%.

² The calculation of the basic loss per share amounts is based on loss for the period attributable to ordinary equity holders of the Company of approximately HK\$63,762,000 (corresponding period in 2018: profit attributable to owners of the Company of approximately HK\$12,693,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2018: 1,300,000,000) in issue during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

At present, the global economy is still ridden with uncertainties, while the local social environment and sentiment remain subdued with rising inflation. According to the data released by the Census and Statistics Department of Hong Kong, the gross domestic product (“GDP”) of Hong Kong registered a substantial decline of 2.9% year-on-year for the third quarter of 2019, posting the first ever quarterly decline since the “Great Recession” in 2009. On a seasonally adjusted quarter-to-quarter comparison, real GDP further declined by 3.2% in the third quarter following a drop of 0.5% during the previous quarter, indicating that Hong Kong’s economy has been falling into a technical recession which significantly worsened the domestic demand. The provisional estimate of the total restaurant receipts decreased by 11.7% year-on-year in value for the quarter, of which, the total receipts of Chinese restaurants decreased by 17.8% in value. Nevertheless, the Composite Consumer Price Index for the third quarter of 2019 rose by 3.3%, i.e. the underlying inflation rate, compared with the same period last year. The possible higher cost including prices of commodities and food ingredients resulted from economic instability exert certain pressure on the catering industry. Despite great market volatility, Fulum Group Holdings Limited (the “Company”), together with its subsidiaries (collectively the “Group”) is still full of confidence towards the prospects of the industry and continues to implement prudent yet optimistic development strategies in response to the challenges.

For the PRC market, according to the “Annual Report on Catering Industry of China in 2019 (《2019中國餐飲業年度報告》)” released by the China Hotel Association, in 2018, despite remaining in a growing stage, large and medium-sized enterprises registered a growth of 12.6% and outperformed other catering industry players in the nation in terms of restaurant receipts. Factors such as improving living standard, middle class consumption upgrade and rapid urbanisation led to enterprises shifting towards quality and efficiency-based in development approach, in particular, banquet service providers and time-honored, traditional catering brands grew prosperously.

BUSINESS REVIEW

During the six months ended 30 September 2019 (the “Reporting Period”), the local catering needs was slightly volatile. The Group continued to adopt proactive and optimistic expansion strategy to establish new restaurants and to actively explore diversified brands to gratify local catering needs and enhance customers’ dining experience. During the Reporting Period, the Group has opened 10 restaurants under the “Fulum Concept (富臨概念)” main line in Hong Kong. As of 30 September 2019, the Group owned a total of 78 restaurants, including 24 restaurants under the “Fulum (富臨)” main brand, 9 restaurants under the “Sportful Garden (陶源)” main brand and 41 restaurants under the “Fulum Concept (富臨概念)” main line in Hong Kong and 4 restaurants in Mainland China.

“Fulum (富臨)” main brand and “Sportful Garden (陶源)” main brand are important cornerstone of the Group. Currently, restaurants under the “Fulum (富臨)” main brand provide Cantonese cuisine for mass market customers with a variety of delicacies including seafood, dim sum and hotpot. They offer friendly and welcoming venue and catering experience for wedding banquets and events, while restaurants under the “Sportful Garden (陶源)” main brand focus on mid to high-end Cantonese cuisine targeting mid to high-end customers.

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 Korean barbecue brands, kid-friendly restaurants which embed traditional culture of Korean local cuisines and hotpot restaurants which specialise in seafood hotpot and coconut chicken hotpots. During the Reporting Period, a brand new food hall positioned to offer local street delicacies was newly opened under the “Fulum Concept (富臨概念)” in Yuen Long, through which the Group increased its market share and diversified its income base. In addition, a local brand which specialises in popular Hong Kong-style roasted meats was opened in San Po Kong, Yuen Long and Kwai Chung. Also, a restaurant which offers a relaxing dining experience of innovative Cantonese-style cuisine was opened in Nam Cheong which was well-received by family dinners in the neighbourhood.

The Group introduced a customer loyalty membership card programme in June 2015 in the restaurants of “Sportful Garden (陶源)” as a reward for Hong Kong loyal customers to redeem value-added benefits and gifts from accumulating credit points. Currently, there are more than 50,000 members in total under such membership programme. The Group will provide more membership benefits and privileges in the future in order to broaden its long-term customer base.

For the PRC market, the Group operates a total of four “Fulum Palace (富臨皇宮)” restaurants, which are located in the densely-populated residential areas in Yuexiu District, Guangzhou, Baiyun District, Guangzhou, Zhuhai and Fuzhou, respectively. They mainly provide mass catering services so as to meet the residents’ demand for Chinese cuisine and wedding venues within the regions. Believing in the enormous consumption power in the Mainland market, the Group will open more restaurants in the future to provide 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	
	2019	2018
Number of restaurants		
“Fulum (富臨)” main brand	28	37
“Sportful Garden (陶源)” main brand	9	11
“Fulum Concept (富臨概念)” main line	41	31
	78	79

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately 15.1%, or approximately HK\$192.2 million, from approximately HK\$1,276.0 million for the six months ended 30 September 2018 (the “**Previous Reporting Period**”) to approximately HK\$1,083.8 million for the Reporting Period. The Group’s businesses are mainly restaurant operations, and sales of food and other operating items.

Revenue from restaurant operations decreased by approximately 15.8%, or approximately HK\$196.4 million, from approximately HK\$1,240.2 million for the Previous Reporting Period to approximately HK\$1,043.8 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		
	2019	2018	% Change
	HKS'000	HK\$'000	
	(unaudited)	(unaudited)	
Restaurant operations			
“Fulum (富臨)” main brand	670,611	864,452	(22.4)
“Sportful Garden (陶源)” main brand	133,548	161,697	(17.4)
“Fulum Concept (富臨概念)” main line	239,656	214,053	12.0

Revenue from sales of food and other operating items increased by approximately 11.7%, or approximately HK\$4.2 million from approximately HK\$35.8 million for the Previous Reporting Period to approximately HK\$40.0 million for the Reporting Period. The increase was mainly due to the sales growth of central kitchen during the Reporting Period.

Other Income and Gains, Net

Other income and gains, net increased by approximately 38.7%, or approximately HK\$3.8 million from approximately HK\$9.8 million for the Previous Reporting Period to approximately HK\$13.6 million for the Reporting Period. The increase was mainly due to the increase in gain on reversal of reinstatement overprovision and rental income generated from brand new food court during the Reporting Period.

Cost of Inventories Sold

The cost of inventories sold by the Group decreased by approximately 8.1%, or approximately HK\$30.2 million from approximately HK\$373.8 million for the Previous Reporting Period to approximately HK\$343.6 million for the Reporting Period. The decrease was mainly due to the decrease in revenue during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Gross profit (gross profit equals revenue minus cost of inventories sold) decreased by approximately 18%, or approximately HK\$162.0 million from approximately HK\$902.2 million for the Previous Reporting Period to approximately HK\$740.2 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 approximately 68.3% and 70.7%, 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\$373.8 million and HK\$424.2 million, respectively, representing approximately 34.5% and 33.2% of the respective periods' revenues.

Property Rentals and Related Expenses

The property rentals and related expenses decreased by approximately 53.7%, or approximately HK\$131.0 million, from approximately HK\$243.7 million for the Previous Reporting Period to approximately HK\$112.7 million for the Reporting Period. The decrease was mainly due to the adjustment on property rentals and related expenses of approximately HK\$112.0 million upon the adoption of HKFRS 16 during the Reporting Period, where the lease payments were treated as repayment of lease liabilities and finance costs.

Depreciation expenses

Depreciation expenses increased by approximately 274.2%, or approximately HK\$109.0 million, from approximately HK\$39.8 million for the Previous Reporting Period to approximately HK\$148.8 million for the Reporting Period. The increase was primarily due to the adjustment on depreciation expenses on right-of-use assets of approximately HK\$107.6 million upon initial adoption of HKFRS 16 during the Reporting Period.

Other Expenses

Other expenses increased by approximately 4.0%, or approximately HK\$4.2 million, from approximately HK\$105.6 million for the Previous Reporting Period to approximately HK\$109.8 million for the Reporting Period. The increase was mainly due to the acquisition costs of the right to name the Chinese name of a development during the Reporting Period. For details, please refer to the announcement of the Company dated 28 March 2018.

Finance Costs

The finance costs amounted to approximately HK\$13.2 million for the Reporting Period and approximately HK\$0.2 million for the Previous Reporting Period. The increase in finance costs was primarily due to the adjustment on interest expenses on lease liabilities of approximately HK\$12.5 million upon initial adoption of HKFRS 16 during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

The effective tax rate decreased from approximately 19.5% for the Previous Reporting Period to approximately 14.4% for the Reporting Period.

Profit/loss attributable to Owners of the Company

As a result of the factors discussed above, the profit attributable to owners of the Company decreased by approximately 602.3%, or approximately HK\$76.5 million, from profit of approximately HK\$12.7 million for the Previous Reporting Period to loss of approximately HK\$63.8 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 a proactive and optimistic attitude to fine-tune its menu and realign its brand portfolios, increase the proportion of restaurants under the “Fulum Concept (富臨概念)” main line and explore new mode of operation. In the meantime, the Group will proactively explore opportunities for mergers and acquisitions in the industry and continue to identify different catering brands, especially those of Asian brands for mergers and acquisitions, in order to establish Fulum Group as a highly diversified catering kingdom.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong. The Group had cash and cash equivalent of approximately HK\$306.1 million at 30 September 2019 (31 March 2019: approximately HK\$496.9 million). The Group had cash and bank balances which were mostly held in Hong Kong dollar and Renminbi. At 30 September 2019, the Group’s outstanding bank borrowings were approximately HK\$120.9 million (31 March 2019: HK\$0.4 million), while total assets were approximately HK\$1,696.8 million (31 March 2019: HK\$1,202.4 million).

As at 30 September 2019, the Group’s current assets were kept at approximately HK\$614.9 million (31 March 2019: approximately HK\$761.3 million) whilst current liabilities were approximately HK\$477.2 million (31 March 2019: approximately HK\$221.4 million). The directors of the Company (the “**Directors**”) consider that the current working capital level is conservatively sufficient to meet the upcoming operating needs.

The gearing ratio, calculated by dividing the total of lease liabilities, finance leases and interest-bearing bank borrowings by total equity attributable to owners of the Company, was equal to approximately 73.7% at 30 September 2019 (31 March 2019: approximately 0.1%). The increase was mainly due to the adoption of HKFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

PLEDGE OF ASSETS

As at 30 September 2019, the Group pledged the following assets to secure the Group's trading facilities:

- (1) Investment properties of approximately HK\$207.7 million to secure the banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2019.

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 Reporting Period was denominated in the functional currency of the relevant subsidiaries. The Group's assets, liabilities and transactions are mainly denominated in Hong Kong dollars. Certain of the Group's bank balances are denominated in Renminbi ("RMB") which is not freely convertible into other currencies. However, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations of the PRC, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 30 September 2019, the Group had approximately 2,960 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 2019, 42,120,000 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 2019, no options had been granted or agreed to be granted pursuant to the post-IPO share option scheme.

DIVIDEND

The board (the "**Board**") of the Directors has resolved not to declare the payment of any interim dividend for the Reporting Period (corresponding period in 2018: Nil).

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 Company’s shareholders, and to enhance corporate value and accountability. These objectives can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal controls, appropriate risk assessment procedures and transparency to all the Company’s shareholders.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established the Audit Committee on 28 October 2014 with the revised written terms of reference adopted on 28 December 2018. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and material advice in respect of financial reporting and to oversee the audit process, risk management system and internal control procedures of the Group. Mr. 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 acting as the chairman. All of them possess extensive experience in financial and general management.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 and this interim report were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the six months ended 30 September 2019.

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 2019, 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 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2019, 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.

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

As at 30 September 2019, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2019, 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2019, there are 42,120,000 outstanding options granted.

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

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 2019 were as follows:

Name or category of participant	At 1 April 2019	Exercised during the period	Lapsed or cancelled during the period	At 30 September 2019	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	–	(438,900)	6,540,600	28 October 2014	13 November 2016 to 12 November 2019	0.93	N/A
			(438,900)	6,540,600	28 October 2014	13 November 2017 to 12 November 2019	0.93	N/A
			(452,200)	6,738,800	28 October 2014	13 November 2018 to 12 November 2019	0.93	N/A
Total	43,450,000	–	1,330,000	42,120,000				

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, 14 of them were no longer the leased premises of the Group as at the date of this report, 3 of them were released, 12 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

Since June 2019, Hong Kong is facing ongoing social unrest. Due to the recent escalation of social unrest, it is reported that some restaurants of the Group had been damaged. The loss on written off of property is still under review and the Group expects the result would not affect the normal operation of the Group.

PUBLICATION OF INTERIM REPORT

The electronic version of this interim report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (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.

By order of the Board of
Fulum Group Holdings Limited
YEUNG WAI

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 November 2019

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 2019

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 2019 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2018 (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	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
REVENUE	5	1,083,787	1,275,987
Other income and gains, net	5	13,577	9,791
Cost of inventories sold		(343,614)	(373,789)
Staff costs		(373,829)	(424,172)
Property rentals and related expenses		(112,705)	(243,679)
Depreciation		(148,836)	(39,770)
Fuel and utility expenses		(69,979)	(82,662)
Other expenses		(109,820)	(105,591)
Finance costs	6	(13,227)	(210)
(LOSS)/PROFIT BEFORE TAX	7	(74,646)	15,905
Income tax credit/(expense)	8	10,780	(3,103)
(LOSS)/PROFIT FOR THE PERIOD		(63,866)	12,802
Attributable to:			
Owners of the Company		(63,762)	12,693
Non-controlling interests		(104)	109
		(63,866)	12,802
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	10	HK(4.90) cents	HK0.98 cents
– Diluted	10	HK(4.90) cents	HK0.98 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(63,866)	12,802
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(5,631)	(5,874)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(69,497)	6,928
Attributable to:		
Owners of the Company	(69,393)	6,819
Non-controlling interests	(104)	109
	(69,497)	6,928

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	207,265	201,433
Investment properties	11	207,651	–
Right-of-use assets	3	492,188	–
Goodwill		58,707	58,707
Intangible assets		13,000	13,000
Deposits and other receivables		70,585	147,349
Deferred tax assets		32,495	20,671
Total non-current assets		1,081,891	441,160
CURRENT ASSETS			
Inventories	12	89,187	86,420
Trade receivables	13	30,857	24,182
Prepayments, deposits and other receivables		178,968	148,385
Tax recoverable		9,793	5,351
Cash and cash equivalents		306,105	496,922
Total current assets		614,910	761,260
CURRENT LIABILITIES			
Trade payables	14	49,406	88,808
Other payables, accruals and deferred income		93,254	117,967
Interest-bearing bank borrowings		120,862	400
Lease liabilities		194,279	–
Finance lease payables		–	389
Provision		6,412	4,994
Tax payable		13,001	8,853
Total current liabilities		477,214	221,411
NET CURRENT ASSETS		137,696	539,849
TOTAL ASSETS LESS CURRENT LIABILITIES		1,219,587	981,009

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2019

	<i>Notes</i>	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Accruals and deferred income		6,616	22,269
Lease liabilities		326,657	–
Finance lease payables		–	352
Provision		14,063	19,048
Deferred tax liabilities		722	985
Total non-current liabilities		348,058	42,654
Net assets		871,529	938,355
EQUITY			
Equity attributable to owners of the Company			
Issued capital		1,300	1,300
Reserves		869,649	936,371
		870,949	937,671
Non-controlling interests		580	684
Total equity		871,529	938,355

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2019

	Attributable to owners of the Company									Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Other reserve HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Non-controlling interests		
								Total HK\$'000	HK\$'000	
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/(loss) 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
At 1 April 2019	1,300	540,140	(5,372)	31,073	27,414	(2,670)	345,786	937,671	684	938,355
Loss for the period	-	-	-	-	-	-	(63,762)	(63,762)	(104)	(63,866)
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,631)	-	(5,631)	-	(5,631)
Total comprehensive loss for the period	-	-	-	-	-	(5,631)	(63,762)	(69,393)	(104)	(69,497)
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	(201)	-	201	-	-	-
Transfers	-	-	-	-	-	2,671	-	2,671	-	2,671
At 30 September 2019 (Unaudited)	1,300	540,140*	(5,372)*	31,073*	27,213*	(5,630)*	282,225*	870,949	580	871,529

* These reserve accounts comprise the consolidated reserves of HK\$869,649,000 (31 March 2019: HK\$936,371,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(74,646)	15,905
Adjustments for:			
Depreciation of property, plant and equipment	7	41,202	39,770
Depreciation of right-of-use assets	7	107,634	–
Interest income	5	(1,452)	(1,943)
Gain on disposal of items of property, plant and equipment, net	5	(298)	(1,746)
Gain on waiver of a reinstatement liability	5	(3,494)	(454)
Finance costs	6	13,227	210
Equity-settled share option expenses	7	–	1,086
Write-off of items of property, plant and equipment	7	–	278
		82,173	53,106
Increase in inventories		(2,867)	(16,189)
Increase in trade receivables		(6,780)	(9,184)
(Increase)/decrease in prepayments, deposits and other receivables		(27,582)	9,561
Decrease in trade payables		(38,876)	(33,381)
Decrease in other payables, accruals and deferred income		(14,403)	(30,185)
Decrease in provision		(1)	(5,445)
		(8,336)	(31,717)
Cash used in operations		(8,336)	(31,717)
Interest received		177	1,943
Interest element of lease payments/finance lease rental payments		(12,568)	(32)
Hong Kong profits tax paid		(1,613)	(3,833)
PRC corporate income tax refunded/(paid)		20	(259)
Net cash flows used in operating activities		(22,320)	(33,898)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(47,989)	(38,824)
Purchases of investment property		(140,635)	–
Proceeds from disposal of items of property, plant and equipment		298	150
Deposit paid for purchase of items of property, plant and equipment		–	(43,562)
Decrease in a pledged time deposit		–	71,142
Net cash flows used in investing activities		(188,326)	(11,094)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	124,100	4,800
Repayment of bank loans	(3,638)	(8,470)
Capital element of finance lease rental payments	–	(246)
Dividends paid	–	(65,000)
Interest paid	(659)	(178)
Capital contributions from non-controlling interest	–	600
Principal portion of lease payments	(96,560)	–
Net cash flows from/(used in) financing activities	23,243	(68,494)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(187,403)	(113,486)
Cash and cash equivalents at beginning of period	496,922	623,169
Effect of foreign exchange rate changes, net	(3,414)	(3,376)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	306,105	506,307
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and in the condensed consolidated statement of cash flows	306,105	506,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2019

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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 November 2014.

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

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 applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2019.

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements. The principal effects for the adopting HKFRS 16 are as follows:

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

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 31 March 2019 was not restated and continues to be reported under HKAS 17.

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics

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

	Increase/ (decrease) HK\$'000 (Unaudited)
Assets	
Increase in right-of-use assets	504,056
Decrease in prepayments, other receivables and other assets	(5,918)
Increase in total assets	498,138
Liabilities	
Increase in lease liabilities	523,463
Decrease in other payables and accruals	(24,584)
Decrease in finance lease payables	(741)
Increase in total liabilities	498,138

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

HKFRS 16 Leases *(Continued)*

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

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

	HK\$'000 (Unaudited)
Operating lease commitments as at 31 March 2019	739,684
Weighted average incremental borrowing rate as at 1 April 2019	4.25%
Discounted operating lease commitments as at 1 April 2019	636,814
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(114,092)
Add: Commitments relating to leases previously classified as finance leases	741
Lease liabilities as at 1 April 2019	523,463

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

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

HKFRS 16 Leases *(Continued)*

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

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

HKFRS 16 Leases *(Continued)*

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets HK\$'000	Lease liabilities HK\$'000
As at 1 April 2019	504,056	523,463
Additions	100,127	98,546
Depreciation charge	(107,634)	–
Interest expense	–	12,568
Payments	–	(108,845)
Exchange adjustment	(4,361)	(4,796)
As at 30 September 2019	492,188	520,936

The Group recognised rental expenses from short-term leases of HK\$76,040,000 for the six months ended 30 September 2019.

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 2019 and 2018, and certain non-current assets information as at 30 September 2019 and 31 March 2019, by geographical areas.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about Geographical Areas *(Continued)*

(a) *Revenue from external customers*

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	1,025,288	1,228,672
Mainland China	58,499	47,315
	1,083,787	1,275,987

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

(b) *Non-current assets*

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	881,546	302,131
Mainland China	97,265	40,107
	978,811	342,238

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 2019

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue		
Restaurant operations	1,043,815	1,240,202
Sale of food and other operating items	39,972	35,785
	1,083,787	1,275,987
Other income and gains, net		
Interest income on bank deposits	177	1,943
Interest income on rental deposits	1,275	–
Licensing income	638	914
Sponsorship income	2,608	3,234
Gain on disposal of items of property, plant and equipment, net	298	1,746
Gain on reversal of reinstatement overprovision	3,494	454
Others	5,087	1,500
	13,577	9,791

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Hong Kong	1,025,288	1,228,672
Mainland China	58,499	47,315
	1,083,787	1,275,987

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2019

6. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank overdrafts and bank loans	659	178
Interest on finance leases	–	32
Interest on lease liabilities	12,568	–
	13,227	210

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Lease payments under operating leases:		
Minimum lease payments	76,040	205,497
Contingent rents	649	467
	76,689	205,964
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	359,995	406,923
Equity-settled share option expense	–	1,086
Retirement benefit scheme contributions (defined contribution scheme)	13,834	16,163
	373,829	424,172
Foreign exchange differences, net	–	322
Write-off of items of property, plant and equipment*	–	278
Depreciation of property, plant and equipment	41,202	39,770
Depreciation of right-of-use assets	107,634	–

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

8. INCOME TAX CREDIT/(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 2018: 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 2018: 25%) during the current period.

9. DIVIDEND

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

The Directors do not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2018: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the six months ended 30 September 2019 attributable to ordinary equity holders of the Company of HK\$63,762,000 (profit for six months ended 30 September 2018: HK\$12,693,000) and the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2018: 1,300,000,000) in issue during the period.

The calculation of the diluted loss per share amounts is based on the loss for the six months ended 30 September 2019 attributable to ordinary equity holders of the Company of HK\$63,762,000 (profit for six months ended 30 September 2018: HK\$12,693,000), and the total of (i) the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2018: 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 2018: Nil) 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 2019

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
(Loss)/Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	(63,762)	12,693
	Number of Shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	1,300,000,000	1,300,000,000

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired items of property, plant and equipment of HK\$48,289,000 (six months ended 30 September 2018: HK\$44,420,000).

As at 30 September 2019, investment property with a carry amount of HK\$207,651,000 (31 March 2019: Nil) was stated at fair value and pledged to secure banking facilities granted to the Group.

12. INVENTORIES

	30 September	31 March
	2019	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Food and beverages	83,783	81,567
Other operating items for restaurant operations	5,404	4,853
	89,187	86,420

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2019

13. TRADE RECEIVABLES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Credit card receivables	927	9,621
Others	34,878	19,509
	35,805	29,130
Impairment	(4,948)	(4,948)
	30,857	24,182

The Group's trading terms with its customers are mainly on cash and credit card settlement while trading terms for sale of food are on credit with credit periods ranging from 30 to 60 days (31 March 2019: 30 to 60 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 1 month	22,004	13,393
1 to 3 months	6,052	5,073
3 to 12 months	1,175	4,755
Over 12 months	1,626	961
	30,857	24,182

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2019

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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 1 month	38,560	57,660
1 to 3 months	9,117	30,013
3 to 12 months	773	892
Over 12 months	956	243
	49,406	88,808

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

15. CONTINGENT LIABILITIES

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Bank guarantees given in lieu of rental and utility deposits	42,284	46,592

16. COMMITMENTS

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	363	1,310

17. 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:

	Note	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Related companies*:			
Purchase of food		1,837	1,655
Rental expenses#	(1)	44,941	57,340

* 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.

Note:

- (1) At 30 September 2019, the right-of-use assets related to a restaurant leased from a related company of the Group amounted to HK\$11,026,000 and lease liabilities of HK\$11,430,000 are due to a related company of the Group. Depreciation on right-of-use assets related to this restaurant amounted to HK\$6,536,000 during the six months ended 30 September 2019. Interest on lease liabilities to a related company of the Group amounted to HK\$379,000 during the six months ended 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2019

17. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	3,790	3,766
Post-employment benefits	63	63
Equity-settled share option expense	–	724
Total compensation paid to key management personnel	3,853	4,553



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