



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

INTERIM REPORT
中期報告 **2021**

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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

HIGHLIGHTS

- Revenue was approximately HK\$565.6 million (corresponding period in 2019: approximately HK\$1,083.8 million), representing a decrease of approximately 47.8%
- Gross profit margin¹ was at approximately 66.7% (corresponding period in 2019: approximately 68.3%), representing a decrease of approximately 1.6 percentage point
- Loss attributable to owners of the Company was approximately HK\$95.9 million (corresponding period in 2019: loss attributable to owners of the Company of approximately HK\$63.8 million)
- Basic loss per share² was HK7.38 cents (corresponding period in 2019: loss per share was HK4.90 cents)
- The guest count was approximately 5.8 million (corresponding period in 2019: approximately 10.7 million), representing a decrease of approximately 45.5%
- 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\$95,907,000 (corresponding period in 2019: loss attributable to owners of the Company of approximately HK\$63,762,000) and the weighted average number of ordinary shares of 1,300,000,000 (corresponding period in 2019: 1,300,000,000) in issue during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

2020 is undoubtedly the year of the hardest hit to the global economy. The novel coronavirus (COVID-19) pandemic has been continuously affecting all industries. According to the statistics released by the Census and Statistics Department of Hong Kong, the gross domestic product registered a decline of 3.4% year on year for the corresponding period of the third quarter, which was narrower than the decline of 9% as compared to the second quarter and better than the decline of 5.6% as projected by the market. The slowdown in the decline reflected gradual increases in both domestic and external demand. The provisional estimate of the total restaurant receipts was HK\$17 billion in value for the third quarter, representing a year-on-year decline of 35.3%. After excluding the effect of price change during the period, the provisional estimate of the total restaurant receipts decreased by 34.8% in quantity for the third quarter of 2020 as compared to the corresponding quarter of last year, of which, the total receipts of Chinese restaurants decreased by 46.6% and 46.3%, respectively, in value and quantity. With the development of COVID-19 vaccine of different countries, it is expected that the daily life of the public will gradually return to normal. In addition, the Hong Kong government and neighboring regions introduced “Travel Bubble” to drive the number of tourists visiting Hong Kong. The Group is still full of confidence towards the prospects of the industry and continues to implement proactive and optimistic development strategies in response to the challenges.

For the PRC market, according to the “Annual Report on Catering Industry of China in 2020 (《2020中國餐飲業年度報告》)” released by the China Hotel Association, in 2019, the catering receipts in the PRC was RMB4.7 trillion, representing an increase of 9.4% as compared to the corresponding period. However, from January to July 2020, due to the effect of the novel coronavirus pandemic, the catering receipts in the PRC was RMB1.8 trillion, representing a year-on-year decrease of 29.6%, of which, Guangdong Province recorded revenue of RMB0.43 trillion, representing an increase of 11% as compared to the corresponding period. In recent years, a large-scale tax and fee reduction has been implemented in the PRC, which has benefited all enterprises and individuals, to stimulate people’s desire to dine out.

BUSINESS REVIEW

During the six months ended 30 September 2020 (the “**Reporting Period**”), the catering industry in Hong Kong was affected by the containment measures causing fewer customers. The Group continued to adopt proactive strategies, including exploring diversified brands and introducing different promotional packages and seasonal cuisines while strengthening its delivery service, to enable our customers to enjoy classic Cantonese cuisines at home and gratify customers’ catering needs under the pandemic.

As at 30 September 2020, the Group operated a total of 80 restaurants, including 20 restaurants under the “Fulum (富臨)” main brand, 8 restaurants under the “Sportful Garden (陶源)” main brand, and 48 restaurants under the “Fulum Concept (富臨概念)” main line, in Hong Kong, and 4 restaurants in the Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, “Fulum (富臨)” main brand and “Sportful Garden (陶源)” main brand are still the core businesses of the Group targeting the mass market and mid to high-end customers, respectively. Restaurants under the “Fulum (富臨)” main brand provide Cantonese cuisine with a variety of delicacies including seafood, dim sum and hotpot, which offer venues with unique decorations and digital light effects and sophisticated catering experience for wedding banquets and events. Restaurants under the “Sportful Garden (陶源)” main brand focus on mid to high-end Cantonese cuisine that targets mid to high-end market customers who put high values on quality. Even though the public was affected by the prohibition of gathering during the pandemic, the Group has proactively launched delivery promotion series and meal sets for particular headcounts so that people could maintain their usual catering habits.

The Group also proactively expanded the “Fulum Concept (富臨概念)” main line and launched different restaurants in recent years, including Korean barbecue brands and kid-friendly restaurants embedding the traditional culture of Korean local cuisines, and restaurants specialising in Japanese Wagyu beef hotpots. In addition, the food hall brand “Foodeli” opened its second branch in August this year. The Group will continue to prudently expand the “Fulum Concept (富臨概念)” main line so as to provide dining experience of various features to our customers and explore different customer bases.

The Group introduced a customer loyalty membership card programme in June 2015. Currently, there are more than 49,000 members in total under such membership programme. Customers with a VIP card are entitled to personalised privileges and redemption of gifts in the restaurants of “Sportful Garden (陶源)” as a reward for and to attract them to visit the restaurants. The Group will provide more membership benefits and privileges for VIP cards in the future to broaden its long-term customer base.

For the PRC market, the Group operates a total of four “Fulum Palace (富臨皇宮)” restaurants, which are located in the densely-populated residential areas in Yuexiu District and Baiyun District of Guangzhou, Zhuhai, and Fuzhou, respectively. They mainly provide mass catering services to meet the residents’ demand for Chinese cuisine and wedding venues in the regions. Believing in the enormous consumption power in the Mainland China market, the Group will open more new businesses in various areas in the Mainland China as and when appropriate in the future to provide Mainland China citizens with quality and distinctive catering experience and services.

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

	As at 30 September	
	2020	2019
Number of restaurants		
“Fulum (富臨)” main brand	24	28
“Sportful Garden (陶源)” main brand	8	9
“Fulum Concept (富臨概念)” main line	48	41
	80	78

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately 47.8%, or approximately HK\$518.2 million, from approximately HK\$1,083.8 million for the six months ended 30 September 2019 (the “**Previous Reporting Period**”) to approximately HK\$565.6 million for the Reporting Period. The decrease was mainly due to the weak market sentiment in Hong Kong and the outbreak of novel coronavirus during 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 49.3%, or approximately HK\$514.7 million, from approximately HK\$1,043.8 million for the Previous Reporting Period to approximately HK\$529.1 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		
	2020	2019	% Change
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Restaurant operations			
“Fulum (富臨)” main brand	311,848	670,611	(53.5)
“Sportful Garden (陶源)” main brand	46,079	133,548	(65.5)
“Fulum Concept (富臨概念)” main line	171,175	239,656	(28.6)

Revenue from sales of food and other operating items decreased by approximately 8.6%, or approximately HK\$3.5 million from approximately HK\$40.0 million for the Previous Reporting Period to approximately HK\$36.5 million for the Reporting Period.

Other Income and Gains, Net

Other income and gains, net increased by approximately 499.3%, or approximately HK\$67.8 million from approximately HK\$13.6 million for the Previous Reporting Period to approximately HK\$81.4 million for the Reporting Period. The increase was mainly due to the grant of government subsidies of HK\$68.6 million (2019: Nil) during the Reporting Period.

Cost of Inventories Sold

The cost of inventories sold by the Group decreased by approximately 45.1%, or approximately HK\$155.1 million from approximately HK\$343.6 million for the Previous Reporting Period to approximately HK\$188.5 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 49.1%, or approximately HK\$363.1 million from approximately HK\$740.2 million for the Previous Reporting Period to approximately HK\$377.1 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin

The gross profit margin (gross profit margin equals gross profit divided by revenue multiplied by 100%) of the Group for the Reporting Period and the Previous Reporting Period were approximately 66.7% and 68.3%, 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\$184.1 million and HK\$373.8 million, respectively, representing approximately 32.6% and 34.5% of the respective periods' revenues. The decrease on staff costs was mainly due to the effectiveness of cost control measures in response to the outbreak of novel coronavirus during the Reporting Period.

Property Rentals and Related Expenses

The property rentals and related expenses decreased by approximately 72.2%, or approximately HK\$81.3 million, from approximately HK\$112.7 million for the Previous Reporting Period to approximately HK\$31.4 million for the Reporting Period. The decrease was mainly due to the accounting treatment on property rentals and related expenses for certain renewed leases under HKFRS 16 during the Reporting Period. Those leases were exempted from the application of HKFRS 16 in the Previous Reporting Period.

Depreciation expenses

Depreciation expenses increased by approximately 9.6%, or approximately HK\$14.3 million, from approximately HK\$148.8 million for the Previous Reporting Period to approximately HK\$163.1 million for the Reporting Period. The increase was primarily due to the accounting treatment on depreciation expenses on right-of-use assets under HKFRS 16 for certain renewed leases during the Reporting Period. Those leases were exempted from the application of HKFRS 16 in the Previous Reporting Period.

Other Expenses

Other expenses increased by approximately 4.6%, or approximately HK\$5.1 million, from approximately HK\$109.8 million for the Previous Reporting Period to approximately HK\$114.9 million for the Reporting Period.

Finance Costs

The finance costs amounted to approximately HK\$17.2 million for the Reporting Period and approximately HK\$13.2 million for the Previous Reporting Period. The increase in finance costs was primarily due to the accounting treatment on interest expenses on lease liabilities under HKFRS 16 for certain renewed leases during the Reporting Period. Those leases were exempted from the application of HKFRS 16 in the Previous Reporting Period.

Income Tax Expense

The effective tax rate decreased from approximately 14.4% for the Previous Reporting Period to approximately 0.6% for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/loss attributable to Owners of the Company

As a result of the factors discussed above, the loss attributable to owners of the Company increased by approximately 50.4%, or approximately HK\$32.1 million, from loss of approximately HK\$63.8 million for the Previous Reporting Period to loss of approximately HK\$95.9 million for the Reporting Period.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong. The Group had cash and cash equivalent of approximately HK\$171.5 million as at 30 September 2020 (31 March 2020: approximately HK\$116.4 million). The Group had cash and bank balances which were mostly held in Hong Kong dollar and Renminbi. As at 30 September 2020, the Group's outstanding bank borrowings were approximately HK\$180.0 million (31 March 2020: HK\$94.6 million), while total assets were approximately HK\$1,357.1 million (31 March 2020: HK\$1,011.4 million).

As at 30 September 2020, the Group's current assets were kept at approximately HK\$414.7 million (31 March 2020: approximately HK\$339.7 million) whilst current liabilities were approximately HK\$775.7 million (31 March 2020: approximately HK\$483.5 million). The increase in current liabilities was because certain leases renewed during the Reporting Period has increased the lease liabilities under current liabilities of HK\$106.3 million. The application of HKFRS 16 of these renewed leases has also increased the right-of-use assets under the non-current assets of HK\$325.6 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 interest-bearing bank borrowings by total equity attributable to owners of the Company, was equal to approximately 93.5% at 30 September 2020 (31 March 2020: approximately 33.0%). The increase was mainly due to increase in interest-bearing bank borrowings and the decrease in the total equity attributable to owners of the Company.

Pledge of assets

As at 30 September 2020, the Group pledged its investment properties of approximately HK\$176.8 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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND OUTLOOK

With the relief of the pandemic in Mainland China and Hong Kong, a trend of “vengeful shopping” by the public, and the introduction of “Travel Bubble” by the Hong Kong government, the Group is confident of the long-term prospects of the catering market in Hong Kong and the PRC. In the future, the Group will continue to adopt a proactive and optimistic attitude by fine-tuning its menu and realigning its brand portfolios as well as introducing new seasonal cuisines with innovative ideas to gratify the market taste. Besides, it will increase the proportion of restaurants under the “Fulum Concept (富臨概念)” main line, reinforce brand image, and explore a new mode of operation. In the meantime, the Group will proactively explore opportunities for mergers and acquisitions in the industry and continue to identify catering brands that showcase different food cultures and offer popular cuisines and local snacks, especially those of Asian brands as the main targets for mergers and acquisitions, thereby establishing 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 gradually increase the number of restaurants in the PRC to broaden its customer base and increase its market share.

DIVIDEND

The board of Directors (the “**Board**”) has resolved not to declare the payment of any interim dividend for the Reporting Period (corresponding period in 2019: Nil).

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 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.

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 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 2020.

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 2020, 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 held jointly with another person; interest in a controlled corporation (Note 2)	908,375,000 Shares (L) (Note 3)	69.88%
Mr. Yeung Yun Chuen	The Company	Interest held jointly with another person; beneficial owner (Note 2)	908,375,000 Shares (L) (Note 3)	69.88%
Mr. Yeung Yun Kei	The Company	Interest held jointly with another person; beneficial owner (Note 2)	908,375,000 Shares (L) (Note 3)	69.88%
Mr. Leung Siu Sun	The Company	Beneficial owner	66,625,000 Shares (L)	5.13%

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. 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.

Save as disclosed above, as at 30 September 2020, 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 2020, 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)	908,375,000 Shares (L)	69.88%
Ms. Yung Yuk Ling	Interest of spouse (Note 3)	908,375,000 Shares (L)	69.88%
Ms. Hui Lin Na	Interest of spouse (Note 4)	908,375,000 Shares (L)	69.88%
China Sage International Limited	Beneficial owner (Note 5)	452,075,000 Shares (L)	69.88%
Ms. Leung Siu Kuen	Interest of spouse (Note 6)	66,625,000 Shares (L)	5.13%

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 2020, 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 SCHEME

The Company operates a share option scheme (the “**Share Option Scheme**”) 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 Share Option Scheme 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 Share Option Scheme was adopted by the Company on 28 October 2014 and became effective on 13 November 2014, and, unless otherwise cancelled or amended, will remain in force for 10 years from the effective date.

The maximum number of shares in respect of which options may be granted under the Share Option 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 Share Option Scheme 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 Share Option Scheme, if earlier.

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

DIRECTORS' INFORMATION

Mr. Fan Chun Wah Andrew has ceased to be an independent non-executive director of CNC Holdings Limited (Stock Code: 08356) on 11 August 2020. Save for the aforesaid, there is no update to the biographies of the directors of the Company as disclosed in its annual report for the year ended 31 March 2020 pursuant to Rule 13.51B(1) of the Listing Rules.

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 of the Company date 4 November 2014. Among those 34 unreleased building orders, 17 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

Subsequent to the Reporting Period and up to the date of this report, the Group received HK\$35.4 million wage subsidies under the Employment Support Scheme of the Anti-epidemic Fund operated by the Hong Kong government.

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).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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, 27 November 2020

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 2020

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 2020 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2019 (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	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
REVENUE	5	565,643	1,083,787
Other income and gains, net	5	81,364	13,577
Cost of inventories sold		(188,540)	(343,614)
Staff costs		(184,127)	(373,829)
Property rentals and related expenses		(31,376)	(112,705)
Depreciation		(163,083)	(148,836)
Fuel and utility expenses		(43,083)	(69,979)
Other expenses		(114,916)	(109,820)
Finance costs	6	(17,220)	(13,227)
LOSS BEFORE TAX	7	(95,338)	(74,646)
Income tax credit/(expense)	8	(569)	10,780
LOSS FOR THE PERIOD		(95,907)	(63,866)
Attributable to:			
Owners of the Company		(95,907)	(63,762)
Non-controlling interests		–	(104)
		(95,907)	(63,866)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic	10	HK(7.38) cents	HK(4.90) cents
– Diluted	10	HK(7.38) cents	HK(4.90) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(95,907)	(63,866)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,602	(5,631)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(94,305)	(69,497)
Attributable to:		
Owners of the Company	(94,305)	(69,393)
Non-controlling interests	–	(104)
	(94,305)	(69,497)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	141,070	122,020
Investment properties	11	176,750	189,600
Right-of-use assets		546,120	290,334
Deposits and other receivables		78,444	69,672
Total non-current assets		942,384	671,626
CURRENT ASSETS			
Inventories	12	86,444	85,067
Trade receivables	13	16,803	8,928
Prepayments, deposits and other receivables		112,338	110,066
Financial assets at fair value through profit or loss		7,837	10,767
Tax recoverable		19,803	8,491
Cash and cash equivalents		171,457	116,412
Total current assets		414,682	339,731
CURRENT LIABILITIES			
Trade payables	14	58,273	36,996
Other payables, accruals and deferred income		130,942	78,921
Interest-bearing bank borrowings		180,020	94,594
Lease liabilities		387,182	260,710
Provision		11,007	6,760
Tax payable		8,270	5,517
Total current liabilities		775,694	483,498
NET CURRENT LIABILITIES		(361,012)	(143,767)
TOTAL ASSETS LESS CURRENT LIABILITIES		581,372	527,859

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2020

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
NON-CURRENT LIABILITIES		
Accruals and deferred income	1,806	3,522
Lease liabilities	377,325	223,781
Provision	8,670	12,918
Deferred tax liabilities	982	744
Total non-current liabilities	388,783	240,965
Net assets	192,589	286,894
EQUITY		
Equity attributable to owners of the Company		
Issued capital	1,300	1,300
Reserves	191,289	285,594
Total equity	192,589	286,894

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2020

	Attributable to owners of the Company									
	Issued capital	Share premium account	Other reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 April 2020	1,300	540,140	(5,372)	31,073	-	(5,701)	(274,546)	286,894	-	286,894
Loss for the period	-	-	-	-	-	-	(95,907)	(95,907)	-	(95,907)
Other comprehensive loss for the period										
Exchange differences on translation of foreign operations	-	-	-	-	-	1,602	-	1,602	-	1,602
Total comprehensive loss for the period	-	-	-	-	-	1,602	(95,907)	(94,305)	-	(94,305)
At 30 September 2020 (Unaudited)	1,300	540,140*	(5,372)*	31,073	-	(4,099)*	(370,453)*	192,589	-	192,589

* These reserve accounts comprise the consolidated reserves of HK\$191,289,000 (31 March 2020: HK\$285,594,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(95,338)	(74,646)
Adjustments for:			
Depreciation of property, plant and equipment	7	27,751	41,202
Depreciation of right-of-use assets	7	135,332	107,634
Interest income	5	(644)	(1,452)
Gain on disposal of items of property, plant and equipment, net	5	–	(298)
Gain on waiver of a reinstatement liability	5	–	(3,494)
Gain on lease modification	5	(4,760)	–
Fair value losses on investment properties	7	12,850	–
Fair value losses on financial assets at fair value through profit or loss	7	2,495	–
Finance costs	6	17,220	13,227
Impairment of items of property, plant and equipment	7	4,499	–
Impairment of right-of-use assets	7	5,937	–
		105,342	82,173
Increase in inventories		(1,296)	(2,867)
Increase in trade receivables		(7,767)	(6,780)
Increase in prepayments, deposits and other receivables		(10,846)	(27,582)
Increase/(decrease) in trade payables		20,967	(38,876)
Increase/(decrease) in other payables, accruals and deferred income		49,733	(14,403)
Decrease in provision		–	(1)
		156,133	(8,336)
Cash generated from/(used in) operations		511	177
Interest received		–	(12,568)
Interest element of lease payments/finance lease rental payments		(8,487)	(1,613)
Hong Kong profits tax paid		(422)	20
PRC corporate income tax refunded/(paid)			
		147,735	(22,320)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(51,217)	(47,989)
Purchases of investment property		–	(140,635)
Proceeds from disposal of items of property, plant and equipment		–	298
Disposal of financial assets at fair value through profit or loss		405	–
		(50,812)	(188,326)
Net cash flows used in investing activities			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	108,596	124,100
Repayment of bank loans	(23,170)	(3,638)
Interest paid	(17,220)	(659)
Principal portion of lease payments	(114,599)	(96,560)
Net cash flows from/(used in) financing activities	(46,393)	23,243
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	50,530	(187,403)
Cash and cash equivalents at beginning of period	116,412	496,922
Effect of foreign exchange rate changes, net	4,515	(3,414)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	171,457	306,105
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	171,457	306,105

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 September 2020

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 2020 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 2020.

Going concern basis

In preparing the Group's consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$361,012,000 as at 30 September 2020; and the breach of covenant clauses in respect of outstanding bank loans of HK\$87,130,000 presented under current liabilities in the consolidated statement of financial position as at 30 September 2020. In order to strengthen the Group's liquidity in the foreseeable future, the Directors have taken measures including closing down underperforming restaurants; and implementing various cost control measures, in order to tighten the costs of operations.

In addition, taking into account a number of sources of finance available to fund its operations including government subsidies, future operating cash inflows, realisation of investment properties when necessary and the financial support from the substantial shareholder of the Company when needed, the Directors consider that the Group will have sufficient working capital to finance its operations and be able to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

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 2020, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2020.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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 2020 and 2019, and certain non-current assets information as at 30 September 2020 and 31 March 2020, by geographical areas.

(a) *Revenue from external customers*

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	523,771	1,025,288
Mainland China	41,872	58,499
	565,643	1,083,787

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

(b) *Non-current assets*

	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	801,307	533,101
Mainland China	62,638	68,892
	863,945	601,993

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about Major Customers

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

5. 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Restaurant operations	529,102	1,043,815
Sale of food and other operating items	36,541	39,972
	565,643	1,083,787
Other income and gains, net		
Interest income on bank deposits	511	177
Interest income on rental deposits	133	1,275
Licensing income	364	638
Food court income	2,778	2,660
Government subsidies*	68,624	–
Gain on lease modification	4,760	–
Sponsorship income	214	2,608
Gain on disposal of items of property, plant and equipment, net	–	298
Gain on reversal of reinstatement overprovision	–	3,494
Others	3,980	2,427
	81,364	13,577

* Government subsidies of HK\$68,624,000 (2019: Nil) were granted during the six month period ended 30 September 2020 by the Government of the Hong Kong Special Administrative Region under the AntiEpidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	523,771	1,025,288
Mainland China	41,872	58,499
	565,643	1,083,787

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank overdrafts and bank loans	1,973	659
Interest on lease liabilities	15,247	12,568
	17,220	13,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

7. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease payments not included in the measurement of lease liabilities	874	76,689
Employee benefit expenses (including directors' remuneration):		
Salaries, bonuses and other allowances	177,268	359,995
Retirement benefit scheme contributions (defined contribution scheme)	6,859	13,834
	184,127	373,829
Foreign exchange differences, net	(2)	–
Fair value losses on investment properties*	12,850	–
Impairment of items of property, plant and equipment*	4,499	–
Impairment of right-of-use assets*	5,937	–
Fair value losses on financial assets at fair value through profit or loss*	2,495	–
Depreciation of property, plant and equipment	27,751	41,202
Depreciation of right-of-use assets	135,332	107,634

* These items were 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 2019: 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 2019: 25%) during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

9. DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2019: Nil).

10. 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 2020 attributable to ordinary equity holders of the Company of HK\$95,907,000 (loss for six months ended 30 September 2019: HK\$63,762,000) and the weighted average number of ordinary shares of 1,300,000,000 (six months ended 30 September 2019: 1,300,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2020.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2019 in respect of a dilution as impact of the share options outstanding had no dilutive effect on the basic loss per share amounts presented for the six months ended 30 September 2019.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired items of property, plant and equipment of HK\$51,251,000 (six months ended 30 September 2019: HK\$48,289,000).

As at 30 September 2020, investment properties with a carry amount of HK\$176,750,000 (31 March 2020: HK\$189,600,000) were stated at fair value and pledged to secure banking facilities granted to the Group.

12. INVENTORIES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Food and beverages	81,043	80,047
Other operating items for restaurant operations	5,401	5,020
	86,444	85,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

13. TRADE RECEIVABLES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Credit card receivables	3,140	871
Others	25,540	19,934
	28,680	20,805
Impairment	(11,877)	(11,877)
	16,803	8,928

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 2020: 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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 1 month	12,128	5,706
1 to 3 months	1,369	1,092
3 to 12 months	2,683	1,586
Over 12 months	623	544
	16,803	8,928

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Within 1 month	42,730	22,692
1 to 3 months	12,702	11,095
3 to 12 months	1,745	1,508
Over 12 months	1,096	1,701
	58,273	36,996

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 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Bank guarantees given in lieu of rental and utility deposits	30,627	38,685

16. COMMITMENTS

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	9,304	1,902

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

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	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Related companies*:			
Purchase of food		1,636	1,837
Rental expenses#	(1)	–	44,941

* 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 2020, the right-of-use assets related to a restaurant leased from a related company of the Group amounted to HK\$271,358,000 and lease liabilities of HK\$274,202,000 are due to a related company of the Group. Depreciation on right-of-use assets related to this restaurant amounted to HK\$54,272,000 during the six months ended 30 September 2020. Interest on lease liabilities to a related company of the Group amounted to HK\$6,198,000 during the six months ended 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

17. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	3,182	3,790
Post-employment benefits	54	63
Total compensation paid to key management personnel	3,236	3,853

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, accruals and deferred income, lease liabilities and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits, other receivables, accruals and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 September 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	7,837	–	–	7,837

As at 31 March 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets included in prepayments, deposits and other receivables	10,767	–	–	10,767

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Six months ended 30 September 2020

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The Group did not have any financial liabilities measured at fair value as at 30 September 2020 and 31 March 2020.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 September 2019: Nil).



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