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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Fulum Group Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Stock Code: 1443)

### DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

 金融有限公司  
OCTAL Capital Limited

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A letter from the Board is set out on pages 5 to 21 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 35 of this circular.

A notice convening the EGM of the Company to be held at 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong on Tuesday, 28 May 2019 at 12:00 noon is set out on pages 42 to 43 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.fulumgroup.com](http://www.fulumgroup.com)). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment if they so wish.

References to time and dates in this circular are to Hong Kong time and dates.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

Hong Kong, 8 May 2019

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“2017 Connected Tenancy Framework Agreement”	the tenancy framework agreement (including any amendment(s) thereto and supplemental agreement(s)), dated 18 January 2017 entered into among the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung;
“2017 Connected Tenancy Framework Supplemental Agreement”	the supplemental agreement dated 24 February 2017 entered into among the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung in relation to 2017 Connected Tenancy Framework Agreement;
“2018 Connected Tenancy Agreement(s)”	the 31 connected tenancy agreements (including any amendment(s) thereto and supplemental agreement(s)) entered into between the relevant member(s) of the Group and the relevant member(s) of the Connected Landlord Entities during 2015 to 2018, containing the detailed terms and conditions governing the lease of each of the premises as disclosed in the announcement of the Company dated 20 October 2015 and 30 June 2016 and the Circulars;
“2018 Connected Tenancy Framework Supplemental Agreement”	the supplemental agreement dated 8 June 2018 entered into among the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung in relation to 2017 Connected Tenancy Framework Agreement;
“2019 Connected Tenancy Agreement(s)”	the eight connected tenancy agreements (including any amendment(s) thereto and supplemental agreement(s)) to be entered into between the relevant member(s) of the Group and the relevant member(s) of the Connected Landlord Entities containing the detailed terms and conditions governing the lease of each of the Premises within the term of the 2019 Connected Tenancy Framework Supplemental Agreement;
“2019 Connected Tenancy Framework Supplemental Agreement”	the supplemental agreement dated 2 April 2019 entered into among the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung in relation to 2017 Connected Tenancy Framework Agreement;
“2019 Proposed Annual Caps”	the aggregate amount of the proposed annual caps for transactions contemplated under the 2019 Connected Tenancy Framework Supplemental Agreement;
“associate(s)”, “connected person(s)” and “controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules;

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## DEFINITIONS

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“Board”	the board of Directors;
“China Sage”	China Sage International Limited, a company incorporated in the British Virgin Islands with limited liability on 28 May 2014 and directly wholly-owned by Mr. Yeung. China Sage is one of the Controlling Shareholders;
“Circulars”	the circulars of the Company dated 28 February 2017 and 13 July 2018;
“Company”	Fulum Group Holdings Limited (stock code: 1443), a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange;
“Connected Landlord Entities”	various entities controlled by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung, Mr. Leung and/or their associates, being the landlords of the Premises as set forth in the table headed “The Premises” in this circular;
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, in the context of the Company, refers to Mr. Yeung, China Sage, Mr. YC Yeung and Mr. YK Yeung;
“Director(s)”	the director(s) of the Company;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened for the purposes of, among other things, considering and, if thought fit, approving the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps;
“Government”	the government of Hong Kong;
“Group”	the Company and its subsidiaries;
“Group’s Aggregate Annual Caps”	the aggregate amount of the Revised Annual Caps and the 2019 Proposed Annual Cap;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

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## DEFINITIONS

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“Independent Board Committee”	a committee of the Board established with all independent non-executive Directors, namely Mr. Fan Chun Wah Andrew, Mr. Wu Kam On Keith and Mr. Ng Ngai Man Raymond, as members;
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps;
“Independent Shareholders”	the Shareholders other than Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung, Mr. Leung and those Shareholders who are otherwise interested or involved in the entering into of the 2019 Connected Tenancy Framework Supplemental Agreement are required to abstain from voting in the EGM on the resolution to approve the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps;
“Latest Practicable Date”	3 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. CN Yeung”	Mr. Yeung Chun Nin (楊振年), the son of Mr. YC Yeung;
“Mr. Leung”	Mr. Leung Siu Sun (梁兆新), an executive Director;
“Mr. YC Yeung”	Mr. Yeung Yun Chuen (楊潤全), an executive Director and one of the Controlling Shareholders;
“Mr. Yeung”	Mr. Yeung Wai (楊維), an executive Director, the chairman, the chief executive officer and one of the Controlling Shareholders;
“Mr. YK Yeung”	Mr. Yeung Yun Kei (楊潤基), an executive Director and one of the Controlling Shareholders;
“New Connected Leases”	the leases of eight Premises agreed to be undertaken pursuant to the 2019 Connected Tenancy Framework Supplemental Agreement, details of which are set forth in the table headed “The Premises” in this circular;

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## DEFINITIONS

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“PRC”	the People’s Republic of China but for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan;
“Premises”	the eight premises in respect of the New Connected Leases to be leased pursuant to the 2019 Connected Tenancy Framework Supplemental Agreement as set forth in the table headed “The Premises” in this circular;
“Revised Annual Caps”	the revised annual caps for the 2018 Connected Tenancy Agreements;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Valuer” or “Asset Appraisal”	Asset Appraisal Limited, an independent property valuer;
“sq. ft”	square feet; and
“%”	per cent.

*For the purpose of this circular, the exchange rate for the conversion of RMB into HK\$ for indication only is: RMB1.0 = HK\$1.17.*

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## LETTER FROM THE BOARD

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

(Stock Code: 1443)

*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

*Registered office:*

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

*Principal place of business  
in Hong Kong:*

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

8 May 2019

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS**

#### **1. INTRODUCTION**

Reference is made to the announcement of the Company dated 2 April 2019 in relation to the 2019 Connected Tenancy Framework Supplemental Agreement. The purposes of this circular are:

- (a) to provide you with further information relating to the 2019 Connected Tenancy Framework Supplemental Agreement;
- (b) to set out the recommendations of the Independent Board Committee relating to the 2019 Connected Tenancy Framework Supplemental Agreement;
- (c) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (d) to give you notice of the EGM to consider and, if thought fit, to approve the 2019 Connected Tenancy Framework Agreement, the transactions contemplated thereunder and the Group's Aggregate Annual Caps.

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## LETTER FROM THE BOARD

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### 2. BACKGROUND INFORMATION

Reference is made to the Circulars in relation to the 2017 Connected Tenancy Framework Agreement, the 2017 Connected Tenancy Framework Supplemental Agreement and the 2018 Connected Tenancy Framework Supplemental Agreement entered into between the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung on 18 January 2017, 24 February 2017 and 8 June 2018, respectively, pursuant to which the parties agreed to (a) renew the existing connected leases; and (b) enter into the new connected leases, at the material time, within the term of the 2017 Connected Tenancy Framework Agreement. The 2017 Connected Tenancy Framework Agreement, as amended and supplemented by the 2017 Connected Tenancy Framework Supplemental Agreement and the 2018 Connected Tenancy Framework Supplemental Agreement, was approved by an ordinary resolution of the Independent Shareholders at the extraordinary general meeting of the Company held on 21 March 2017.

### 3. THE 2019 CONNECTED TENANCY FRAMEWORK SUPPLEMENTAL AGREEMENT

The Board announces that on 2 April 2019 (after trading hours), the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung entered into the 2019 Connected Tenancy Framework Supplemental Agreement to amend the 2017 Connected Tenancy Framework Agreement.

Pursuant to the 2019 Connected Tenancy Framework Supplemental Agreement, the parties agreed that, among other things, the aggregate annual caps pursuant to the 2017 Connected Tenancy Framework Agreement shall be amended to HK\$109,210,152 for the year ending 31 March 2020, in order to address (i) the transaction amounts of HK\$10,296,040 contemplated under the 2019 Connected Tenancy Framework Supplemental Agreement for the year ending 31 March 2020; and (ii) the termination and variation of certain of the 2018 Connected Tenancy Agreements.

The 2019 Connected Tenancy Framework Supplemental Agreement is subject to the approval of the Independent Shareholders. The 2019 Connected Tenancy Agreements will only be entered after the approval of the 2019 Connected Tenancy Framework Supplemental Agreement by the Independent Shareholders. Upon the 2019 Connected Tenancy Framework Supplemental Agreement becoming effective, the existing 2017 Connected Tenancy Framework Agreement, details of which are referred to in the Circulars will be amended and supplemented accordingly.

In the event that the Company fails to obtain Independent Shareholders' approval regarding the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group's Aggregate Annual Caps, then the 2019 Connected Tenancy Framework Supplemental Agreement will be lapsed on the date of the EGM and the existing tenancies of Premise 1 and Premise 2 in the table headed "The Premises" below will continue until 31 July 2019 and the respective tenants shall vacate such premises within a reasonable time as to be agreed with the respective landlord. As a result, the Group would have to close or relocate the relevant restaurants which could bring disruptions in its operations. Nevertheless, it is the business strategy of the Group to open new restaurants on a rolling basis. The Directors do not foresee any material impediment in the overall operation of the Group. Therefore, the Group does not expect difficulty in the relocation of the restaurants or any disruptions that would affect the financial or operations of the Group materially and adversely.



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## LETTER FROM THE BOARD

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#### 4. THE 2017 CONNECTED TENANCY FRAMEWORK AGREEMENT, THE 2017 CONNECTED TENANCY FRAMEWORK SUPPLEMENTAL AGREEMENT, THE 2018 CONNECTED TENANCY FRAMEWORK SUPPLEMENTAL AGREEMENT AND THE 2019 CONNECTED TENANCY AGREEMENTS

##### **Principal terms of the 2017 Connected Tenancy Framework Agreement and details of the 2017 Connected Tenancy Framework Supplemental Agreement**

For the summary of the principal terms of the 2017 Connected Tenancy Framework Agreement and details of the 2017 Connected Tenancy Framework Supplemental Agreement, please refer to the circular of the Company dated 28 February 2017.

##### **Details of the 2018 Connected Tenancy Framework Supplemental Agreement**

For the details of the 2018 Connected Tenancy Framework Supplemental Agreement and the transactions contemplated thereunder, please refer to the circular of the Company dated 13 July 2018.

##### **Principal terms of the 2019 Connected Tenancy Agreements**

The following sets forth a summary of the principal terms of the 2019 Connected Tenancy Agreements:

- Parties** : (a) Relevant member of the Group; and  
(b) relevant member of the Connected Landlord Entities  
as set forth in the table headed “The Premises” below.
- Term** : The terms of the 2019 Connected Tenancy Agreements range from 8 months to 10 months as set forth in the table headed “The Premises” below.
- Rent and other outgoing** : Relevant member of the Group shall pay the monthly rent as set forth in the table headed “The Premises” below in advance without deduction or set off on or before the agreed day of each calendar month.

Relevant member of the Group shall deposit with the relevant member of the Connected Landlord Entities sums equivalent to two times of the monthly rents as deposits for each of the 2019 Connected Tenancy Agreements.

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## LETTER FROM THE BOARD

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Save for the monthly rent of Premises 8 in the table headed “The Premises” below which includes the tax payable to the PRC government but exclusive of management fee and all deposits and charges for utilities, relevant member of the Group shall also be responsible for paying:

- (i) all the Government rent, taxes and outgoings of a recurring nature imposed on the Premises or the owner or occupier of the Premises by the Government;
- (ii) rates charged on the Premises as assessed by the Government quarterly in advance which shall be payable on the first day of the months of January, April, July and October, provided that the first payment shall be paid on the commencement of the relevant 2019 Connected Tenancy Agreement; and
- (iii) all deposits and charges for utilities (i.e. the transmission of sewage, water, electricity, gas and telecommunications) at the Premises.

### The Premises

The following sets forth a summary of the landlords, tenants, location, monthly rental, term and use for each of the Premises. The parties have agreed to, subject to the approval of the entering into of the 2019 Connected Tenancy Framework Supplemental Agreement by the Independent Shareholders, enter into the 2019 Connected Tenancy Agreements for the New Connected Leases:

	Landlord	Tenant	Location	Monthly rent	Approximate monthly rent per sq.ft <sup>(9)</sup>	Term	Use
1.	Sino Horse Investment Limited <sup>(1)</sup>	Central Crest Limited	Portion of Shop A on the Ground Floor of Kimberley House, No.35 Kimberley Road, Kowloon, Hong Kong	HK\$195,000	HK\$95.8	1 August 2019 to 31 March 2020 <sup>(10)</sup>	Restaurant operation
2.	Central Base Industrial Limited <sup>(2)</sup>	Sino Emotion Limited	Shop 201 on the Second Floor of Kings Wing Plaza 2, No.1 On Kwan Street, Sha Tin, New Territories, Hong Kong	HK\$536,750	HK\$18.2	1 August 2019 to 31 March 2020 <sup>(11)</sup>	Restaurant operation
3.	Step Dragon International Limited <sup>(3)</sup>	China Kings Development Limited	Portion of Workshop B2 on Ground Floor, Kai Tak Factory Building Stage II, No.99 King Fuk Street & Nos.39-41 Tseuk Luk Street, Kowloon, Hong Kong	HK\$25,000	HK\$43.0	1 June 2019 to 31 March 2020 <sup>(12)</sup>	Restaurant operation

## LETTER FROM THE BOARD

	Landlord	Tenant	Location	Monthly rent	Approximate monthly rent per sq.ft <sup>(9)</sup>	Term	Use
4.	Able Dynasty Development Limited <sup>(4)</sup>	China Kings Development Limited	Workshop B-2A and Canteen & Rest Room on Ground Floor, Kai Tak Factory Building Stage II, No.99 King Fuk Street & Nos.39-41 Tseuk Luk Street, Kowloon, Hong Kong	HK\$55,000	HK\$60.5	1 June 2019 to 31 March 2020 <sup>(12)</sup>	Restaurant operation
5.	Merry Gain International Limited <sup>(5)</sup>	Centro (Asia) Limited	1st Floor, No.90 Hung To Road, Kowloon, Hong Kong	HK\$75,000	HK\$19.5	1 June 2019 to 31 March 2020 <sup>(12)</sup>	Restaurant operation
6.	Kind Rich International Limited <sup>(6)</sup>	Centro (Asia) Limited	2nd Floor, No.90 Hung To Road, Kowloon, Hong Kong	HK\$75,000	HK\$19.5	1 June 2019 to 31 March 2020 <sup>(12)</sup>	Restaurant operation
7.	China Spring Development Limited <sup>(7)</sup>	China Kings Development Limited	Portion of Ground Floor (known as Shop B and Shop C) of Kwai Chung Car Park and Shopping Centre, Nos.26-30 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	HK\$113,800	HK\$37.7	1 June 2019 to 31 March 2020 <sup>(12)</sup>	Restaurant operation
8.	廣州順隆投資有限公司 <sup>(8)</sup>	廣州加盈餐飲管理有限公司安華匯分公司	Rooms 01-22, 22nd Floor, Lufu Lianhe Guangchang (Lufu Union Square), No. 233, Hanxi Avenue West, Panyu District, Guangzhou, China* (中國廣州市番禺區漢溪大道西233號路福聯合廣場22層01-22房)	HK\$149,760**	HK\$10.9	1 June 2019 to 31 March 2020 <sup>(12)</sup>	Office premise

*Notes:*

- (1) Sino Horse Investment Limited is directly wholly-owned by Mr. Yeung, an executive Director and Controlling Shareholder, and hence is an associate of a connected person of our Company under the Listing Rules.
- (2) Central Base Industrial Limited is directly wholly-owned by Mr. Yeung, an executive Director and Controlling Shareholder, and hence is an associate of a connected person of our Company under the Listing Rules.
- (3) Step Dragon International Limited is directly wholly-owned by China Moral Corporation Limited, which is indirectly owned as to approximately 41.59%, 30.69%, 20.79% and 6.93%, respectively, by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, and hence is an associate of a connected person of our Company under the Listing Rules.

\* For identification purpose only

\*\* The amount is translated based on the exchange rate of RMB1.0=HK\$1.17

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## LETTER FROM THE BOARD

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- (4) Able Dynasty Development Limited is directly wholly-owned by China Moral Corporation Limited, which is indirectly owned as to approximately 41.59%, 30.69%, 20.79% and 6.93%, respectively, by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, and hence is an associate of a connected person of our Company under the Listing Rules.
- (5) Merry Gain International Limited is directly wholly-owned by China Full Treasure Limited, which is indirectly owned as to approximately 41.59%, 30.69%, 20.79% and 6.93%, respectively, by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, and hence is an associate of a connected person of our Company under the Listing Rules.
- (6) Kind Rich International Limited is directly wholly-owned by China Full Treasure Limited, which is indirectly owned as to approximately 41.59%, 30.69%, 20.79% and 6.93%, respectively, by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, and hence is an associate of a connected person of our Company under the Listing Rules.
- (7) China Spring Development Limited is directly wholly-owned by Foo Lum Properties Limited, which is indirectly owned as to approximately 41.59%, 30.69%, 20.79% and 6.93% respectively, by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung and hence is an associate of a connected person of our Company under the Listing Rules.
- (8) 廣州順隆投資有限公司 is directly wholly-owned by Rare Achievement Limited, which is directly wholly-owned by Mr. Yeung and hence is an associate of a connected person of our Company under the Listing Rules.
- (9) Save for Premise 2 and Premise 8 which gross floor area is used for calculation, saleable area of other Premises is used for calculation.
- (10) On 30 June 2016, Central Crest Limited, as tenant, entered into the tenancy agreement with the Sino Horse Investment Limited, as landlord, for leasing the subject premises for a term of three years commencing from 1 August 2016 to 31 July 2019. Central Crest Limited and Sino Horse Investment Limited have indicated their intention to renew certain part of the subject premises under the existing tenancy to 31 March 2020 by entering into a new tenancy agreement upon the expiration of the existing tenancy.
- (11) On 30 June 2016, Sino Emotion Limited, as tenant, entered into the tenancy agreement with the Central Base Industrial Limited, as landlord, for leasing the subject premises for a term of three years commencing from 1 August 2016 to 31 July 2019. Sino Emotion Limited and Central Base Industrial Limited have indicated their intention to renew the existing tenancy to 31 March 2020 by entering into a new tenancy agreement upon the expiration of the existing tenancy.
- (12) There will be a one-month rent free period from 1 June 2019 to 30 June 2019.

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## LETTER FROM THE BOARD

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### 5. BASIS OF DETERMINATION OF THE RENT OF THE PREMISES

The 2019 Connected Tenancy Framework Supplemental Agreement was entered into on an arm's length negotiations. The aggregate rent of the Premises for the year ending 31 March 2020 is HK\$10,296,040. The rent of each of the Premises has been arrived at after arm's length negotiations according to (i) the market rent of the Premises with reference to the fair rent letters issued by the Valuer; and (ii) various conditions of the Premises, including but not limited to the location of the Premises as well as the facilities and management services associated with the Premises.

### 6. HISTORICAL TRANSACTION AMOUNTS AND HISTORICAL ANNUAL CAPS

#### The total historical transaction amounts

Up to the Latest Practicable Date, the continuing connected transactions between the Group and the Connected Landlord Entities comprised the 2018 Connected Tenancy Agreements. The following sets forth the total historical transaction amounts during the two years ended 31 March 2019:

	For the year ended 31 March	
	2018	2019
	HK\$	HK\$
2018 Connected Tenancy Agreements	<u>101,168,246</u>	<u>110,279,798</u>

#### The total historical annual caps

The following sets forth the Group's total historical annual caps during the two years ended 31 March 2019:

	For the year ended 31 March	
	2018	2019
	HK\$	HK\$
Original annual caps	<u>101,173,246</u>	<u>112,812,998</u>

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## LETTER FROM THE BOARD

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### 7. THE GROUP'S AGGREGATE ANNUAL CAPS AND THE 2019 PROPOSED ANNUAL CAPS

The following sets forth the Group's Aggregate Annual Caps and the 2019 Proposed Annual Caps:

	<b>For the year ending 31 March 2020 HK\$</b>
Original annual caps	110,206,112 <sup>(1)</sup>
Revised annual caps	98,914,112 <sup>(2)</sup>
2019 Proposed Annual Caps	<u>10,296,040<sup>(3)</sup></u>
<b>Group's Aggregate Annual Caps</b>	<b><u><u>109,210,152<sup>(4)</sup></u></u></b>

*Notes:*

- (1) Representing the original amount of the Group's aggregate annual caps as disclosed in the circular of the Company dated 13 July 2018.
- (2) Among the 2018 Connected Tenancy Agreements, three of the tenancies with a monthly rent of HK\$146,400, HK\$386,400 and HK\$403,200 were terminated with effect from April 2018, February 2019 and February 2019, respectively. One of the tenancies was varied by a deed of variation entered by the respective landlord and respective tenant, pursuant to which the monthly rent was reduced from HK\$198,738 to HK\$193,738 with effect from March 2018. As a result, the original annual caps as disclosed in the circular of the Company dated 13 July 2018 has been reduced accordingly.
- (3) Representing the aggregate monthly rent of the Premises stipulated in the 2019 Connected Tenancy Agreements during the year ending 31 March 2020, taking into account of the rent free period.
- (4) Representing the sum of the revised annual caps and the 2019 Proposed Annual Caps.

The 2019 Proposed Annual Caps were determined after taking into account (i) the rent of the Premises; (ii) the market rent of the Premises according to the fair rent letters issued by the Valuer; and (iii) various conditions of the Premises, including but not limited to the location of the Premises as well as the facilities and management services associated with the Premises. The fair rent letters assessed the market rent of the Premises, based on the prevailing market conditions and the rental level of similar properties at the vicinity.

The Valuer has assessed the market rents of the Premises (defined as the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease term in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion) as at 22 March 2019 and issued the fair rent letters on 8 May 2019. In determining the market rents, the Valuer has examined comparable rentals of three similar properties at the vicinity of each of the Premises. The Valuer has considered (i) location; (ii) usage; and (iii) transaction date to select the appropriate comparables to derive the market rent of the Premises.

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## LETTER FROM THE BOARD

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The Valuer derived the market rent of the Premises based on the adjusted monthly rent of the comparables. The following table shows the details of the comparables of each of the Premises used:

### Premises 1

Comparable premises	Location	Saleable area (sq.ft)	Usage	Monthly rent (HK\$/sq.ft)	Adjusted monthly rent (HK\$/sq.ft)
Comparable A	Portion A on Ground Floor, 55 Kimberley Road, Tsimshatsui, Kowloon, Hong Kong	363	Commercial usage	165	111
Comparable B	Ground Floor, 1D Kimberley Street, Tsimshatsui, Kowloon, Hong Kong	800	Commercial usage	125	103
Comparable C	Shop 5 to 8 & 22 on Ground Floor, Park Hotel, 61-65 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong	1,964	Commercial usage	137	96

### Premises 2

Comparable premises	Location	Gross floor area (sq.ft)	Usage	Monthly rent (HK\$/sq.ft)	Adjusted monthly rent (HK\$/sq.ft)
Comparable A	Shop 225 on Second Floor, Kings Wing Plaza 2, 1 On Kwan Street, Sha Tin, New Territories, Hong Kong	2,824	Commercial usage	37	19
Comparable B	Shop 251 on Second Floor, Kings Wing Plaza 2, 1 On Kwan Street, Sha Tin, New Territories, Hong Kong	724	Commercial usage	40	21
Comparable C	Shop 205 on Second Floor, Kings Wing Plaza 2, 1 On Kwan Street, Sha Tin, New Territories, Hong Kong	837	Commercial usage	40	22

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**LETTER FROM THE BOARD**

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**Premises 3**

<b>Comparable premises</b>	<b>Location</b>	<b>Saleable area (sq.ft)</b>	<b>Usage</b>	<b>Monthly rent (HK\$/sq.ft)</b>	<b>Adjusted monthly rent (HK\$/sq.ft)</b>
Comparable A	Shop 1 on Ground Floor, Cheong Tai Building, 83-97 King Fuk Street, San Po Kong, Kowloon, Hong Kong	760	Commercial usage	71	46
Comparable B	Shop F on Ground Floor, Yan Oi Building, 2-24 Yan Oi Street, San Po Kong, Kowloon, Hong Kong	737	Commercial usage	60	41
Comparable C	Shop C, D & E on Ground Floor, Wing Lok Building, 16-30A Tseuk Luk Street, San Po Kong, Kowloon, Hong Kong	1,863	Commercial usage	70	42

**Premises 4**

<b>Comparable premises</b>	<b>Location</b>	<b>Saleable area (sq.ft)</b>	<b>Usage</b>	<b>Monthly rent (HK\$/sq.ft)</b>	<b>Adjusted monthly rent (HK\$/sq.ft)</b>
Comparable A	Shop 1 on Ground Floor, Cheong Tai Building, 83-97 King Fuk Street, San Po Kong, Kowloon, Hong Kong	760	Commercial usage	71	71
Comparable B	Shop F on Ground Floor, Yan Oi Building, 2-24 Yan Oi Street, San Po Kong, Kowloon, Hong Kong	737	Commercial usage	60	63
Comparable C	Shop C, D & E on Ground Floor, Wing Lok Building, 16-30A Tseuk Luk Street, San Po Kong, Kowloon, Hong Kong	1,863	Commercial usage	70	64



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**LETTER FROM THE BOARD**

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**Premises 5 and Premises 6**

<b>Comparable premises</b>	<b>Location</b>	<b>Saleable area (sq.ft)</b>	<b>Usage</b>	<b>Monthly rent (HK\$/sq.ft)</b>	<b>Adjusted monthly rent (HK\$/sq.ft)</b>
Comparable A	Unit F on 10th Floor, Monetary Plaza, 15-17 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	1,452	Commercial usage	43	25
Comparable B	Unit B, 18th Floor, TG Place, No. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	1,443	Commercial usage	47	27
Comparable C	Unit G on 11th Floor, Monetary Plaza, 15-17 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	1,235	Commercial usage	42	24

**Premises 7**

<b>Comparable premises</b>	<b>Location</b>	<b>Saleable area (sq.ft)</b>	<b>Usage</b>	<b>Monthly rent (HK\$/sq.ft)</b>	<b>Adjusted monthly rent (HK\$/sq.ft)</b>
Comparable A	Shop 7 on Ground Floor, Kwai Do Building, 139 Tai Loong Street, Kwai Chung, New Territories, Hong Kong	710	Commercial usage	46	45
Comparable B	Shop 1 to 7 on Ground Floor, 2-20 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	3,121	Commercial usage	33	33
Comparable C	Ground Floor, Sing Shing Building, 90-114 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong	445	Commercial usage	39	38

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**LETTER FROM THE BOARD**

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**Premises 8**

Comparable premises	Location	Gross floor area (sq.ft)	Usage	Monthly rent (HK\$/sq.ft)	Adjusted monthly rent (HK\$/sq.ft)
Comparable A	Lufu Lianhe Guangchang (Lufu Union Square), No. 233, Hanxi Avenue West, Panyu District, Guangzhou, China* (中國廣州市番禺區漢溪大道西 233號路福聯合廣場)	10,764.0	Office usage	10.9	10.9
Comparable B	Times E-Park, at the junction of Hanxi Avenue and Xinguang Expressway, Panyu District, Guangzhou, China* (中國廣州市番禺區漢溪大道與新光快速路交匯處時代E-Park)	3,767.4	Office usage	10.9	10.9
Comparable C	Aoyuan Chengshi Tiandi, at the junction of Hanxi Avenue and Xinguang Expressway, Panyu District, Guangzhou, China* (中國廣州市番禺區漢溪大道與新光快速路交匯處時代奧園城市天地)	3,229.2	Office usage	10.9	10.9

Regarding the comparables, the Valuer has adjusted the monthly rent of each comparable to account for differences between the Premises and the comparables based on the following factors:

(i) *Adjustments for timing difference between the transaction date of the comparables and the valuation date*

The Valuer has considered the relevant official property rental index and market commentaries to determine the rental growth/drop between the transaction date of the comparables and the valuation date. If there was rental growth between the comparable transaction date and the valuation date, upward adjustment would be applied to the comparables rental unit rate and vice versa.

(ii) *Adjustments for gross floor area or saleable area (as the case may be)*

The Valuer has considered the difference in floor area between the comparables and the Premises. In general, the landlord would normally offer a lower rental unit rate to a tenant if

\* For identification purpose only

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## LETTER FROM THE BOARD

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the tenant is able to lease the entire floor. This would allow the landlord to lease the common area within the same floor such as corridors which would not be counted towards the rental unit rate in the event that the floor is divided into different units. In this regard, for the comparables which are smaller than the Premises, downward adjustments to the comparable rental unit rates would be allowed.

*(iii) Adjustments for location*

The Valuer has considered the difference in accessibility between the comparables and the Premises, for example, vehicular access and availability of public transport. For those comparables of commercial usage having a higher accessibility and/or pedestrian flows than the Premises, downward adjustments to the comparable rental unit rates would be allowed and vice versa.

*(iv) Adjustments for building quality*

Building quality refers to the state of repair, maintenance conditions and facilities provisions of the buildings of which the Premises or the comparables form part. Adjustment on this factor may be required when the Premises and the comparables are not situated within the same developments, especially for those non-ground floor commercial properties where building quality has direct impact on their quiet and satisfactory occupation. Downward adjustments to comparables rental unit rate would be allowed if the comparables are commanding better building quality than the Premises and vice versa.

As confirmed by the Valuer, no adjustment other than the above has been considered in the course of the valuation. The Valuer is of the opinion that the terms and conditions of the 2019 Connected Tenancy Agreements follow common market practice.

The payment of the rent of the Premises will be funded by internal resources of the Group.

### **8. REASONS AND BENEFITS OF ENTERING INTO THE 2019 CONNECTED TENANCY FRAMEWORK SUPPLEMENTAL AGREEMENT**

Out of the eight Premises, seven of them would be used as restaurants of the Group. These seven Premises are all located in prime locations of various districts in Kowloon and New Territories, with easy transportation access and are of great convenience to the customers and able to further strengthen the branding and maintain the number of the restaurants of the Group in prime locations. Among the seven Premises, the restaurants located at Kimberley Road and On Kwan Street have been operating since August 2016 and September 2016, respectively, the Board considered that the renewal of their tenancy is fair and reasonable in order to avoid any material disruptions in their operations. The remaining one Premises would be used as the Group's headquarter in the PRC in order to meet the Group's operational needs to manage its restaurants in the PRC, the Board considered that such arrangement would generate benefits to the Group as a whole in terms of catering the operation and organic growth of the Group in the PRC while saving administration costs. In view of the benefits discussed above, the Board is not aware of any disadvantages to the Company of entering into the 2019 Connected Tenancy Framework Supplemental Agreement.

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## LETTER FROM THE BOARD

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As Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, being the executive Directors, have material interests in the entering into of the 2019 Connected Tenancy Framework Supplemental Agreement and the transactions contemplated thereunder, Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung had abstained from voting on the Board resolutions approving the entering into of the 2019 Connected Tenancy Framework Supplemental Agreement and the transactions contemplated thereunder.

Save for the aforesaid and to the best knowledge, information and belief of the Company, as at the Latest Practicable Date, none of the other Directors has any material interest in the 2019 Connected Tenancy Framework Supplemental Agreement and the transactions contemplated thereunder and therefore no other Director was required to abstain from voting on the resolution(s) of the Board approving the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group's Aggregate Annual Caps.

The Board (excluding Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung) is of the opinion that:

- (i) the terms of the 2019 Connected Tenancy Framework Supplemental Agreement are on normal commercial terms and are fair and reasonable;
- (ii) the amount of the Group's Aggregate Annual Caps are fair and reasonable;
- (iii) the fair rent letters issued by the Valuer are also provided to support that the rent of the Premises is on normal commercial terms; and
- (iv) the transactions contemplated under the 2019 Connected Tenancy Framework Supplemental Agreement are and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

### **9. INFORMATION OF THE GROUP**

The Group is principally engaged in restaurant operations in Hong Kong and the PRC, the provision of festival food products, production, sale and distribution of food products related to restaurant operations.

All the relevant members of the Group which would, subject to the approval of the 2019 Connected Tenancy Framework Supplemental Agreement by the Independent Shareholders, enter into the 2019 Connected Tenancy Agreements as tenants, are indirect wholly-owned subsidiaries of the Company and are principally engaged in restaurant operation, provision of management services to fellow subsidiaries or processing, sale and distribution of food products in Hong Kong.

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## LETTER FROM THE BOARD

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### **10. INFORMATION ABOUT THE CONNECTED LANDLORD ENTITIES**

All the relevant members of the Connected Landlord Entities which would, subject to the approval of the 2019 Connected Tenancy Framework Supplemental Agreement by the Independent Shareholders, enter into the 2019 Connected Tenancy Agreements as landlords, are property investment companies. Please refer to the section headed “The Premises” in this circular for details of their shareholdings information.

### **11. AGGREGATION OF TRANSACTIONS**

Reference is made to the announcements of the Company dated 20 October 2015 and 30 June 2016 and the Circulars in respect of the 2018 Connected Tenancy Agreements. Given that all the landlords under the 2018 Connected Tenancy Agreements and the 2019 Connected Tenancy Agreements are members of the Connected Landlord Entities, the transactions contemplated under the 2019 Connected Tenancy Framework Supplemental Agreement are required to be aggregated with the 2018 Connected Tenancy Agreements pursuant to Rule 14.22, Rule 14.23 and Rule 14A.81 of the Listing Rules. Please refer to the section headed “The Group’s Aggregate Annual Caps and the 2019 Proposed Annual Caps” for details.

### **12. LISTING RULES IMPLICATIONS**

The Connected Landlord Entities are associates of connected persons of the Company and are therefore connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the 2019 Connected Tenancy Framework Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The applicable percentage ratios for the largest Group’s Aggregate Annual Caps are more than 5% but less than 25%. The entering into of the 2019 Connected Tenancy Framework Supplemental Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The 2019 Connected Tenancy Framework Supplemental Agreement will be subject to the notification, announcement, annual review, circular (including independent financial advice) and Independent Shareholders’ approval requirements under the Listing Rules.

### **13. EGM AND PROXY ARRANGEMENT**

The notice of the EGM is set out on pages 42 to 43 of this circular. Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung are deemed to be persons acting in concert under the Codes on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong. As such, each of Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung is deemed to be interested in all the Shares

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## LETTER FROM THE BOARD

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in which the others are interested. As at the Latest Practicable Date, so far as the Directors were aware and based on publicly available information, (i) Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung were interested in an aggregate of 926,675,000 Shares, consisting of 908,375,000 Shares and 18,300,000 underlying Shares (“Share Option Shares”) comprised in the options granted to Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung pursuant to the pre-IPO share option scheme of the Company adopted on 28 October 2014; and (ii) Mr. Leung was interested in an aggregate of 70,625,000 Shares, consisting of 66,625,000 Shares and 4,000,000 Share Option Shares.

As Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, have material interests in the entering into of the 2019 Connected Tenancy Framework Supplemental Agreement and the transactions contemplated thereunder, Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung who, as far as the Directors were aware and based on publicly available information were interested in approximately 76.71% of the voting rights of the Company as at the Latest Practicable Date, would abstain from voting in the annual general meeting of the Company on the resolution(s) approving the entering into of the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps.

Save for the aforesaid and to the best knowledge, information and belief of the Company, as at the Latest Practicable Date, no other Shareholder has a material interest in the 2019 Connected Tenancy Framework Supplemental Agreement and therefore no other Shareholder is required to abstain from voting on the proposed resolution(s) approving the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.fulumgroup.com](http://www.fulumgroup.com)). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

#### **14. CLOSURE OF REGISTER OF MEMBERS**

For determining eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2019.

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## LETTER FROM THE BOARD

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### 15. GENERAL INFORMATION

Your attention is drawn to the appendix headed “General information” to this circular.

### 16. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps; and (ii) the letter from Octal Capital set out on pages 24 to 35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the 2019 Connected Tenancy Framework Supplemental Agreement.

The Independent Board Committee, having taken into account the advice of Octal Capital, the Independent Financial Adviser, considers that the terms of the 2019 Connected Tenancy Framework Supplemental Agreement in relation to the connected transactions thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps.

Yours faithfully,

By order of the Board

**Fulum Group Holdings Limited**

**YEUNG WAI**

*Chairman, Executive Director and Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group's Aggregate Annual Caps.*



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

(Stock Code: 1443)

8 May 2019

*To the Independent Shareholders*

Dear Sir and Madam,

### **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company to the Shareholders dated 8 May 2019 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the 2019 Connected Tenancy Framework Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Octal Capital as set out on pages 24 to 35 of the Circular and the letter from the Board as set out on pages 5 to 21 of the Circular.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the 2019 Connected Tenancy Framework Agreement and the situation of the Company, and the factors and reasons considered by Octal Capital and its opinion as stated in its letter of advice, we are of the view that the 2019 Connected Tenancy Framework Supplemental Agreement is entered into in the ordinary and usual course of business of the Company. We further consider that the terms of the 2019 Connected Tenancy Framework Supplemental Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed to approve the 2019 Connected Tenancy Framework Supplemental Agreement, the transactions contemplated thereunder and the Group's Aggregate Annual Caps.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Mr. FAN Chun Wah Andrew**  
*Independent non-executive  
Director*

**Mr. WU Kam On Keith**  
*Independent non-executive  
Director*

**Mr. NG Ngai Man Raymond**  
*Independent non-executive  
Director*

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## LETTER FROM OCTAL CAPITAL

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801-805, 8/F, Nan Fung Tower,  
88 Connaught Road Central,  
Hong Kong

8 May 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2019 Connected Tenancy Framework Supplemental Agreement and the Group's Aggregate Annual Caps, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") of the circular to the Shareholders dated 8 May 2019 (the "**Circular**") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the circular of the Company dated 28 February 2017 and 13 July 2018 in respect of the 2017 Connected Tenancy Framework Agreement, the 2017 Connected Tenancy Framework Supplemental Agreement and the 2018 Connected Tenancy Framework Supplemental Agreement. These agreements were approved by ordinary resolution of Independent Shareholders at the extraordinary general meetings held on 21 March 2017 and 28 August 2018, respectively.

On 2 April 2019, the Company, Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung entered into the 2019 Connected Tenancy Framework Supplemental Agreement to amend and supplement the 2017 Connected Tenancy Framework Agreement. Given that all the landlords under the 2018 Connected Tenancy Agreements and the 2019 Connected Tenancy Agreements are members of the Connected Landlord Entities, the transactions contemplated under the 2019 Connected Tenancy Framework Supplemental Agreement are required to be aggregated with the transactions contemplated under the 2018 Connected Tenancy Agreements pursuant to Rule 14.22, Rule 14.23 and Rule 14A.81 of the Listing Rules.

The Connected Landlord Entities are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules, and the 2019 Connected Tenancy Framework Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise and give recommendation to the Independent Shareholders on the 2019 Connected Tenancy Framework Supplemental Agreement and the Group's Aggregate Annual Caps.

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## LETTER FROM OCTAL CAPITAL

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As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or the Group or the Connected Landlord Entities or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we have been engaged by the Company as an independent financial adviser to the Company in respect of (i) the 2017 Connected Tenancy Framework Agreement and the 2017 Connected Tenancy Framework Supplemental Agreement; and (ii) 2018 Connected Tenancy Framework Supplemental Agreement, and we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders thereon. For details, please refer to the circulars of Company dated 28 February 2017 and 13 July 2018, respectively.

Apart from normal professional fees payable to us by the Company in connection with these appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group or the Connected Landlord Entities or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and the Connected Landlord Entities and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

### CONTINUING CONNECTED TRANSACTIONS

#### **Principal factors and reasons considered**

In arriving at our opinion regarding the 2019 Connected Tenancy Framework Supplemental Agreement and the Group's Aggregate Annual Caps, we have considered the following principal factors and reasons:

#### ***1. Background of the Group***

As set out in the Letter from the Board, the Group is principally engaged in operation of restaurants in Hong Kong and the PRC, the provision of festival food products, production, sale and distribution of food products related to operation of restaurants.

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## LETTER FROM OCTAL CAPITAL

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According to the interim report for the six months ended 30 September 2018, the Group operated a total of 79 restaurants, of which 33 were under the “Fulum” main brand, 11 under the “Sportful Garden” main brand and 31 under the “Fulum Concept” main line, in Hong Kong and 4 were under the “Fulum” main brand in the PRC.

### **2. Principal terms of the draft 2019 Connected Tenancy Agreements**

In order to develop and continue the current mode of operation of the restaurant business, the Group and the Connected Landlord Entities entered into the 2019 Connected Tenancy Framework Supplemental Agreement on 2 April 2019 which regulates the terms for the renewal of tenancy agreements of two existing restaurants and entering into tenancy agreements of six new premises. Under the 2019 Connected Tenancy Framework Supplemental Agreement, the members of the Group shall, subject to the approval of 2019 Connected Tenancy Framework Supplemental Agreement by the Independent Shareholders, enter into the 2019 Connected Tenancy Agreements with the Connected Landlord Entities for the Premises.

The principal terms of the draft 2019 Connected Tenancy Agreements are summarized as follows:

- |                  |  |
|------------------|--|
| Parties:         | (a) Relevant member of the Group; and  |
|                  | (b) Relevant member of the Connected Landlord Entities   |
| Terms:           | Ranged from 8 months to 10 months ( <i>Note</i> )  |
| Deposits:        | Equivalent to two times of the monthly rents   |
| Rent:            | Except of the monthly rent of Premise 8 (as defined below) includes the tax payable to the PRC government, the monthly rent (exclusive of the Government rent, rates management fee and all deposits and charges for utilities) are paid in advance without deduction or set off on or before the agreed day of each calendar month. |
| Other outgoings: | Relevant member of the Group shall be responsible for paying:  |
|                  | (i) all the Government rent, taxes and outgoings of a recurring nature imposed on the Premises or the owner or occupier of the Premises by the Government;   |
|                  | (ii) rates charged on the Premises as assessed by the Government quarterly in advance which shall be payable on the first day of the months of January, April, July and October, provided that the first payment shall be paid on the commencement of the relevant 2019 Connected Tenancy Agreement; and                             |

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## LETTER FROM OCTAL CAPITAL

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- (iii) all deposits and charges for utilities (i.e. the transmission of sewage, water, electricity, gas and telecommunications) at the Premises.

*Note: The Group is planning to arrange all connected tenancy agreements to end on the same date (i.e. 31 March 2020), thus the lease terms of the draft 2019 Connected Tenancy Agreements will be expired on 31 March 2020.*

The Directors and the Connected Landlord Entities mutually agreed that the 2019 Connected Tenancy Framework Supplemental Agreement will only be effective after the approval of the 2019 Connected Tenancy Framework Supplemental Agreement by the Independent Shareholders. The respective members of the Connected Landlord Entities confirmed that, in the event that the 2019 Connected Tenancy Framework Supplemental Agreement is not approved by the Independent Shareholders, then the 2019 Connected Tenancy Framework Supplemental Agreements will be lapsed and all their rights and benefits for rental payment under the existing tenancy agreements for Premise 1 and Premise 2 (as defined below) will continue until 31 July 2019 and the respective tenants shall vacate such premises within a reasonable time as to be agreed between both parties. Based on this arrangement, operation of restaurants in Premise 1 and Premise 2 can continue until 31 July 2019. Since the Connected Landlord Entities have long term business relationship with the Group, they are willing to provide a reasonable period for the Group to carry out the relocation if necessary. We were further advised by the management of the Company that even if the restaurants require relocation, it is not difficult to identify appropriate properties with similar size of Premise 1 and Premise 2 in the same district or other areas. Moreover, the Group sets up new restaurants on a rolling basis and the revenue of the restaurants operated in the Premise 1 and Premise 2 only accounted for approximately 3.1% of the Group's total revenue during the year ended 31 March 2018, hence the financial performance of the Group will not be affected materially by the relocation of restaurants. Taking into account the above reasons, we are of the view that such arrangement is fair to the Group and to the Shareholders as a whole.

The management of the Company noticed that the landlord of Premise 8 has not obtained the relevant property right certificate. According to the PRC legal adviser of the Company, the landlord has already completed all necessary procedures for the transfer of the property right from the property developer. Although the property right certificate has not been issued, the landlord already possesses the right to lease the property and the entering of the tenancy agreement is legally binding. The PRC legal adviser of the Company is of the view that the relevant members of the Group is legal to lease Premise 8 under the relevant 2019 Connected Tenancy Agreements.

**LETTER FROM OCTAL CAPITAL**

**3. Reasons and benefits for entering into the 2019 Connected Tenancy Agreements**

The major terms of the draft 2019 Connected Tenancy Agreements are summarized as follow:

Location	Status as at Latest Practicable Date	Usage	Monthly Rent HK\$	Area sq. ft	Monthly Rent per sq. ft approximately HK\$	Security Deposits HK\$	Term	Rent-free period	Renewal option
<b>Renewal of existing tenancy agreements:</b>									
Portion of Shop A on the Ground Floor of Kimberley House, No.35 Kimberley Road, Kowloon, Hong Kong (the "Premise 1") (Note 1)	Restaurant operated by the Group	Co Co Kitchen restaurant	195,000	2,035 (saleable area)	96	390,000 (equivalent to 2 months' rent)	1 August 2019 to 31 March 2020	No	3 years
Shop 201 on the Second Floor of Kings Wing Plaza 2, No.1 On Kwan Street, Sha Tin, New Territories, Hong Kong (the "Premise 2") (Note 2)	Restaurant operated by the Group	Fulum Palace restaurant	536,750	29,566 (gross floor area)	18	1,073,500 (equivalent to 2 months' rent)	1 August 2019 to 31 March 2020	No	3 years
<b>New tenancy agreements:</b>									
Portion of Workshop B2 on Ground Floor, Kai Tak Factory Building Stage II, No.99 King Fuk Street & Nos.39-41 Tseuk Luk Street, Kowloon, Hong Kong (the "Premise 3")	Food factory operated by third party	Café CoCo restaurant	25,000	582 (saleable area)	43	50,000 (equivalent to 2 months' rent)	1 June 2019 to 31 March 2020	1 month	3 years
Workshop B-2A and Canteen & Rest Room on Ground Floor, Kai Tak Factory Building Stage II, No.99 King Fuk Street & Nos.39-41 Tseuk Luk Street, Kowloon, Hong Kong (the "Premise 4")	Vacant	Café CoCo restaurant	55,000	909 (saleable area)	61	110,000 (equivalent to 2 months' rent)	1 June 2019 to 31 March 2020	1 month	3 years
1st Floor, No.90 Hung To Road, Kowloon, Hong Kong (the "Premise 5")	Vacant	Meokbang BBQ Kidzone restaurant	75,000	3,839 (saleable area)	20	150,000 (equivalent to 2 months' rent)	1 June 2019 to 31 March 2020	1 month	3 years

## LETTER FROM OCTAL CAPITAL

Location	Status as at Latest Practicable Date	Usage	Monthly Rent	Area	Monthly Rent per sq. ft	Security Deposits	Term	Rent-free period	Renewal option
			HK\$	sq. ft	approximately HK\$	HK\$			
2nd Floor, No.90 Hung To Road, Kowloon, Hong Kong (the "Premise 6")	Vacant	Golden Supreme Club restaurant	75,000	3,839 (saleable area)	20	150,000 (equivalent to 2 months' rent)	1 June 2019 to 31 March 2020	1 month	3 years
Portion of Ground Floor (known as Shop B and Shop C) of Kwai Chung Car Park and Shopping Centre, Nos.26-30 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong (the "Premise 7")	Restaurant operated by third party	Café CoCo restaurant	113,800	3,015 (saleable area)	38	227,600 (equivalent to 2 months' rent)	1 June 2019 to 31 March 2020	1 month	3 years
Rooms 01-22, 22nd Floor, Lufu Lianhe Guangchang (Lufu Union Square), No. 233, Hanxi Avenue West, Panyu District, Guangzhou, China* (中國廣州市番禺區漢溪大道西233號福聯合廣場22層01-22房) (the "Premise 8")	Vacant	office	149,760**	13,778 (gross floor area)	11	299,520** (equivalent to 2 months' rent)	1 June 2019 to 31 March 2020	1 month	3 years

*Note 1: The Group leased Shop A and Shop B from the respective member of the Connected Landlord Entities and sub-leased a portion of Shop A and Shop B (the "Sub-leasing Area") to an independent third party for the period from 1 August 2016 to 31 July 2019. The management of the Company advised that the Group will not continue to lease the Sub-leasing Area from 1 August 2019. Expect for monthly rent, area and rent-free period, other terms are same as the previous tenancy agreement.*

*Note 2: The Group leased Premise 2 from the respective member of the Connected Landlord Entities for the period from 1 August 2016 to 31 July 2019. Except for rent free period, other terms are same as the previous tenancy agreement.*

\* For identification purpose only

\*\* The amount is translated based on the exchange rate of RMB1 to HK\$1.17

Source: 2019 Connected Tenancy Agreements and the fair rent letters issued by the Valuer

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## LETTER FROM OCTAL CAPITAL

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Seven of the premises under the 2019 Connected Tenancy Agreements are used or will be used for operation of restaurants under different brands in Hong Kong and one premise will be used by the Group as headquarter office in the PRC.

The existing tenancy agreements of Premise 1 and Premise 2 will expire on 31 July 2019 and are to be renewed for another eight months.

The management of the Company indicated that the restaurant (i.e. Co Co Kitchen) in Premise 1 has been in operation since August 2016 and is profit-making during the year ended 31 March 2018. Premise 1 is located at the ground floor of a commercial building in Tsim Sha Tsui where is the hub for business and entertainment with high pedestrian traffic. Premise 1 is in close proximity to the MTR station and popular shopping malls. The management of the Company considers that Premise 1, which is easily accessible to the general public and has a steady flow of mass market clientele, is suitable for hotpot restaurant operations so as to capture a larger market share in that busy district.

The management of the Company indicated that the restaurant (i.e. Fulum Palace) in Premise 2 has commenced operation since September 2016 and is profit-making during the year ended 31 March 2018. Premise 2 is located inside a shopping plaza in Shek Mun where is a residential and commercial area with high population and next to the MTR station. The Group considers that Premise 2 is suitable for operating a Chinese restaurant to meet the catering demand of the nearby office workers and residents.

Having considered (i) the prime location, the established customer base and the profitability of these restaurants; (ii) a large sum of capital expenditure have been invested in the Premise 1 and Premise 2; and (iii) a temporary loss of business if relocating these restaurants, the Directors are of the view that the renewal of the tenancy agreements of Premise 1 and Premise 2 are cost efficient and beneficial to the Group.

As the objectives of Group is to diversify its restaurant portfolio and introduce more catering brands, the Group will set up four restaurants under three different brands (i) Café Coco in Premise 3, Premise 4 and Premise 7 are local and Hong Kong style café; (ii) Meokbang BBQ Kidzone in Premise 5 is a Korean BBQ restaurant under a new theme; and (iii) Golden Supreme Club in Premise 6 is a Cantonese cuisine restaurant under the “Fulum” main brand, focusing on provision of dinner and banquets with entertainment facilities.

The Group established the first Café Coco in 2017. Café Coco provides local fast food and targets at customers who are working in the commercial and industrial area. In view of the customer flow of the existing Café Coco, the management of the Company believes that there is growing demand of local fast food in the commercial and industrial area. Having considered the locations of Premise 3, Premise 4 and Premise 7, the management of the Company is of the view that that these three premises are suitable for operating local fast food restaurants.



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## LETTER FROM OCTAL CAPITAL

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Premise 5 and Premise 6 are located on different floors of the same building in Kwun Tong industrial district. We understand from the management of the Company that it is beneficial for the Group to (i) arrange renovation in the same location during the same period of time; and (ii) more cost efficient to operate two restaurants in the same location, for example share of transportation cost and manpower.

The Group is currently operating four restaurants under the “Fulum” main brand in Guangzhou, Zhuhai and Fuzhou. All of them are located in the densely-populated residential areas and mainly provide mass catering services so as to meet the residents’ demand for Chinese cuisine and wedding venues within the regions. In view of the catering market and the enormous consumption power in the PRC, the Group is planning to open new restaurants in the coming future in the PRC. Therefore, the Group is necessary to set up a regional office in Guangzhou to centralise the back-office functions in one place. The management of the Company considered that Premise 8 is located in a walking distance to the high-speed train station of Guangzhou and the opening of headquarter office can provide immediate support to the restaurants in the PRC and reduce the administrative costs of the Group by centralising the administrative and back-office support functions in one location.

Having considered that (i) the development strategy of the Group; (ii) the suitability of the restaurants to be operated in the Premises 3 to 7; (iii) the needs to establish a regional headquarter to support the Group’s development in the PRC, we concur with the Board that entering into six new tenancy agreements are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

#### ***4. Analysis of the major terms of the draft 2019 Connected Tenancy Agreements***

As set out in the Letter from the Board, the rent of each of the Premises has been arrived at after arm’s length negotiations with reference to (i) the market rent of the Premises (defined as the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease term in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion) according to the fair rent letters issued by the Valuer; and (ii) various conditions of the Premises, including but not limited to the location and the area of the Premises.

We reviewed the fair rent letters issued by the Valuer dated 8 May 2019 and noted that the monthly rent of the Premises is either below or equivalent to the monthly rent as set out in the fair rent letters. As referred to in the Letter from the Board, the Valuer has identified three comparables for each of the Premises. We have also reviewed the list of comparables identified by the Valuer for each of the Premises. We discussed with the Valuer and noted that the selection criteria of the comparables include (i) the location; (ii) the property usage; and (iii) the transaction date.

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## LETTER FROM OCTAL CAPITAL

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We further noted that (i) the location of the comparables are in the same district of the relevant Premises; (ii) the comparables are concluded during the period from the second half year of 2017 to February 2019; and (iii) the information of the comparables are sourced from several property agents and property database.

The Valuer also advised that they have made relevant adjustments, including but not limited to, location, area and building quality of the property, and timing difference between transaction date of the comparables and the valuation date to account for the differences between the Premises and the comparables. We reviewed the calculation of the market rent of the Premises and understood the rationale of the adjustments made to the comparables and noted that the adjustments are relevant to the market rent calculation; and the formulae of market rent were properly calculated. Based on our discussion and review of the comparables adopted by the Valuer, we concur with the Valuer that the comparables are appropriate for determining the market rent and the fair rent letters have been reasonably prepared.

We have also enquired with the Valuer's qualification and experience regarding to the valuation. The Valuer confirmed that they are not connected with and are independent to the Group. We have also reviewed the terms of the Valuer's engagement with the Group, and noted that its scope of work is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the fair rent letters.

We obtained a list of properties for the operation of restaurants leased by the Group from independent third parties. We have identified 13 leased properties of the Group in which the lease period commenced during the period from 1 January 2018 to 28 February 2019 (the "**Comparable Tenancy Agreements**"). The Comparable Tenancy Agreements (i) were entered into between the Group and the independent third parties; (ii) had a fixed monthly rent; and (iii) are related to premises with operation of restaurants under the same brand or similar cuisine. Based on the above criteria, no comparables are identified for Premise 3, Premise 4, Premise 6 and Premise 7. We further expanded the lease period covering the period from 1 January 2017 to 28 February 2019 and have identified two leased properties of the Group based on the same criteria as above (the "**Additional Comparable Tenancy Agreements**").

Terms and conditions of these Comparable Tenancy Agreements and Additional Comparable Tenancy Agreements (collectively the "**Comparables**"), such as lease terms and renewal option, security deposits, duration of rent-free period, Government rent and rate, are summarized as follow:

### *Lease terms and renewal option*

We noted that the lease terms of the draft 2019 Connected Tenancy Agreements ranged between 8 months and 10 months which is shorter than the lease terms of the Comparables. The management of the Company advised that the Group is planning to arrange all connected tenancy agreements to end on the same date (i.e. 31 March 2020) in order to reduce the time and administrative cost for managing the continuing connected transactions of the Group. Furthermore, the draft 2019 Connected Tenancy Agreements included 3-years renewal options. The renewal

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## LETTER FROM OCTAL CAPITAL

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option provides the Group an assurance of the sustainability of the restaurants which is operating/ to be operated in the Premises. Having considered the above, we are of the view that the lease terms and the renewal option of the 2019 Connected Tenancy Agreements are favourable to the Group.

### *Security deposits*

The security deposits of the draft 2019 Connected Tenancy Agreements are two months of the monthly rent, which is below the range of security deposits requested by the landlords of the Comparables between 2.8 months and 4.7 months of the monthly rent. We are of the view that the security deposits requested by the Connected Landlords Entities are on normal commercial terms and in the ordinary and usual course of business of the Group.

### *Rent-free period*

We noted that five out of 15 of the Comparables offered one to three months of rent-free period while six of the Premises are offered with one month of rent-free period which is within the range of these Comparables. No rent-free period have been offered for Premise 1 and Premise 2 for entering into the 2019 Connected Tenancy Agreements while rent-free period of two months and three months have been offered to Premise 1 and Premise 2, respectively, under the existing tenancy agreements. We are of the view that the rent-free period under the draft 2019 Connected Tenancy Agreements are no less favorable than that offered by the independent third parties.

### *Government rent and rates*

We noted that the tenants of all Comparables are responsible for paying the Government rent and rates. The members of the Group are also obligated to pay for the Government rent and rates for the Premises. We are of the view that the payment obligation of Government rent and rates under the draft 2019 Connected Tenancy Agreements is in line with the Comparables.

Based on the above analysis, we are of the view that the draft 2019 Connected Tenancy Agreements are carried out in the ordinary and normal course of business for the Group and are no less favourable than those offered by independent third parties. We concur with the Board that the major terms of the draft 2019 Connected Tenancy Agreements are in general on normal commercial terms and fair and reasonable and they are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM OCTAL CAPITAL

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### 5. *The Group's Aggregate Annual Caps*

The table sets out below is the original annual caps and the Group's Aggregate Annual Caps for the year ending 31 March 2020.

	<b>Year ending 31 March 2020 HK\$</b>
Original annual caps	110,206,112
Group's Aggregate Annual Caps	109,210,152

The original annual cap in the amount of HK\$110,206,112 for the year ending 31 March 2020 based on the 2018 Connected Tenancy Framework Supplemental Agreement which has been approved by the Independent Shareholders on 28 August 2018.

The Group's Aggregate Annual Caps are determined with reference to the monthly rent for a total of 34 properties leased from the Connected Landlord Entities during the period from 1 April 2019 to 31 March 2020, taking into consideration of the rent-free period offered by the Connected Landlord Entities. Among the 34 tenancy agreements, 26 tenancy agreements are related to the 2018 Connected Tenancy Framework Supplemental Agreement, which have been approved by the Independent Shareholders on 28 August 2018, and the remaining eight tenancy agreements are subject to the approval of the 2019 Connected Tenancy Framework Supplemental Agreement. The Group's Aggregate Annual Caps include the 2019 Proposed Annual Caps which are determined after taking into account (i) the monthly rent of the Premises; (ii) the market rent of the Premises according to the fair rent letters issued by the Valuer; and (iii) various conditions of the Premises, including but not limited to the location and the area of the Premises.

In assessing the reasonableness of the Group's Aggregate Annual Caps, we have reviewed the monthly rent of these properties leased from the Connected Landlord Entities and recalculated the aggregate amount of rent payable to the Connected Landlord Entities during the period from 1 April 2019 to 31 March 2020.

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## LETTER FROM OCTAL CAPITAL

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### **Recommendation**

Having considered the above principal factors, we are of the opinion that the terms of the 2019 Connected Tenancy Framework Supplemental Agreement and the Group's Aggregate Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Group and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we advise the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the extraordinary general meeting for approving the 2019 Connected Tenancy Framework Supplemental Agreement and the Group's Aggregate Annual Caps.

Yours faithfully

For and on behalf of

**Octal Capital Limited**

**Alan Fung**                      **Wong Wai Leung**  
*Managing Director*              *Executive Director*

*Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the shares and the underlying shares of the Company and its Associated Corporations as at the Latest Practicable Date

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and/or its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); (b) to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) to otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (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	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. YC Yeung	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. YK Yeung	The Company	Interest controlled jointly with another person (Note 2)	926,675,000 Shares (L) (Note 3)	71.28%
Mr. Leung	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.

2. Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung, being our executive Directors, are siblings, associates of each other under the Listing Rules and are deemed to be persons acting in concert under the Codes on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong. As such, each of Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung is deemed to be interested in all the Shares in which the others are interested.
3. These interests consist of 908,375,000 Shares and 18,300,000 underlying Shares (“Share Option Shares”) comprised in the options granted to Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung pursuant to the pre-IPO share option scheme adopted by the Company on 28 October 2014. (i) In respect of the 908,375,000 Shares, 272,025,000 Shares were held by Mr. YC Yeung, 184,275,000 Shares were held by Mr. YK Yeung, and 452,075,000 Shares were held by China Sage, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Yeung; (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, Mr. YC Yeung and Mr. YK Yeung, respectively. As described in Note 2 above, each of Mr. Yeung, Mr. YC Yeung and Mr. YK Yeung 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests, in the long position or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which he/she was taken or deemed to have under such provisions of the SFO); (b) which was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Particulars of the Directors’ other interest**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any other member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

**(c) Others**

- (i) Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests, in the long position or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which he/she was taken or deemed to have under such provisions of the SFO); (b) which was required, pursuant to Section 352 of the SFO, to be entered in the register

referred to therein; or (c) which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;

- (ii) Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which had, since 31 March 2018, being the date of the latest published audited accounts of the Company were made up, been acquired or disposed of by, or leased to, the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group; and
- (iii) Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group taken as a whole.

**(d) Substantial Shareholders' interests and short positions in the Shares and the underlying Shares as at the Latest Practicable Date**

As at the Latest Practicable Date, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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, 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. YC Yeung, her spouse, was interested by virtue of the SFO.
4. Ms. Hui Lin Na was deemed to be interested in all the Shares in which Mr. YK Yeung, her spouse, was interested by virtue of the SFO.
5. These Shares were held by China Sage. The entire issued shares of China Sage are owned by Mr. Yeung.
6. Ms. Leung was deemed to be interested in all the Shares in which Mr. Leung, her spouse, was interested by virtue of the SFO.

Save for Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung who are Directors and the substantial Shareholders, no other Director is a director of the above substantial shareholder which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, there was no other person (other than the Directors or chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **3. MATERIAL ADVERSE CHANGE**

Save as disclosed in the annual report of the Group for the year ended 31 March 2018, the Directors confirmed that as at the Latest Practicable Date, there was no material adverse change in the financial or trading position or prospects of the Group since 31 March 2018.

### **4. LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 5. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert who has been named in this circular and whose advice or opinion are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Octal Capital Limited	a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Asset Appraisal Limited	The surveyor in charge of this valuation is qualified valuer and has over 20 years of experience in valuation of properties in Hong Kong

As at the Latest Practicable Date, Octal Capital and Asset Appraisal did not have any shareholding, direct or indirect, in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Octal Capital and Asset Appraisal did not have any direct or indirect interest in any asset which have been acquired, or disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018.

Octal Capital and Asset Appraisal have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letters and reference to their names, in the form and context in which they are included.

## 6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and their respective associates has engaged in any business that competes or may compete, directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

## 7. MATERIAL CONTRACT

Within the two years immediately preceding the date of this circular and ending on the Latest Practicable Date, none of the members of the Group has entered into any material contract (not being contracts entered into in the ordinary course of business).

**8. GENERAL**

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 15th Floor, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. Ng Kam Tsun Jeffrey. Mr. Ng is a qualified accountant and is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The Company's branch share registrars and transfer office in Hong Kong is Tricor Investor Services Limited, located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at 15th Floor, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong, during normal business hours on any business day from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the articles of association of the Company;
- (b) the letter from the Board to the Shareholders, the text of which is set out on pages 5 to 21 of this circular;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 to 23 of this circular;
- (d) the written consent given by and letter of advice from Octal Capital referred to in the section headed "Qualification and consent of expert" in this appendix;
- (e) the written consent given and fair rent letters issued by Asset Appraisal referred to in the section headed "Qualification and consent of expert" in this appendix;
- (f) the 2017 Connected Tenancy Framework Agreement, the 2017 Connected Tenancy Framework Supplemental Agreement, the 2018 Connected Tenancy Framework Supplemental Agreement and the 2019 Connected Tenancy Framework Supplemental Agreement; and
- (g) this circular.

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## NOTICE OF EGM

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

(Stock Code: 1443)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Fulum Group Holdings Limited (the “**Company**”) will be held at 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon, Hong Kong on Tuesday, 28 May 2019 at 12:00 noon for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular dated 8 May 2019 published by the Company (the “**Circular**”).

“To consider and approve the entering into of the 2019 Connected Tenancy Framework Agreement, the transactions contemplated thereunder and the Group’s Aggregate Annual Caps.”

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

*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, 8 May 2019

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting above is entitled to appoint in written form one or, if he is the holder of two or more Shares of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, whether in person or by proxy, then one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the Hong Kong branch share registrar and transfer office (“Branch Registrar”) of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the meeting or any adjournment thereof.

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## NOTICE OF EGM

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4. For the purpose of determining members who are qualified for attending the extraordinary general meeting, the register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the above meeting or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Branch Registrar at the above address by no later than 4:30 p.m. on Wednesday, 22 May 2019.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. References to time and dates in this notice are to Hong Kong time and dates.

*As at the date of this notice, 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.*