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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

 **金融有限公司**
OCTAL Capital Limited

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, 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 38 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, 21 March 2017 at 11:00 a.m. is set out on pages 46 to 47 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) and the Company (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.

Hong Kong, 28 February 2017

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DEFINITIONS

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

“2015 Tenancy Agreement”	the tenancy agreement dated 20 October 2015 entered into between member of the Connected Landlord Entities and member of the Group as disclosed in the announcement of the Company dated 20 October 2015;
“2017 Connected Tenancy Agreement(s)”	the 25 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 2017 Connected Tenancy Framework Agreement;
“2017 Connected Tenancy Framework Agreement”	the tenancy framework agreement dated 18 January 2017 entered into among the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung (as supplemented by the 2017 Connected Tenancy Framework Supplemental Agreement);
“2017 Connected Tenancy Framework Supplemental Agreement”	the supplemental agreement to the 2017 Connected Tenancy Framework Agreement dated 24 February 2017;
“2017 Proposed Annual Caps”	the aggregate amount of the proposed annual caps primarily for transactions contemplated under the 2017 Connected Tenancy Framework Agreement, the details of which are set forth in “6. — The Group’s Aggregate Annual Caps and the 2017 Proposed Annual Caps” in this circular;
“associate(s)”, “connected person(s)” and “controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules;
“Board”	the board of Directors;
“China Sage”	China Sage International Limited 中賢國際有限公司, 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;
“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;

DEFINITIONS

“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 and Sino Horse Investment Limited and Central Base Industrial Limited, the shareholdings information of which are set forth in the announcement of the Company dated 30 June 2016;
“Connected Tenancy Agreements”	the tenancy agreements entered into between the relevant member(s) of the Group and the relevant member(s) of the Connected Landlord Entities during 2014 as disclosed in the prospectus of the Company dated 4 November 2014;
“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;
“Existing Connected Leases”	the leases of 20 Premises pursuant to the Tenancy Framework Agreement arising from the Connected Tenancy Agreements and agreed to be renewed under the 2017 Connected Tenancy Framework Agreement, details of which are set forth in “The Premises — The Existing Connected Leases” in this circular;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting to be convened by the Company for consideration and if appropriate, approval of, amongst other things, the transactions contemplated under the 2017 Connected Tenancy Framework Agreement;
“Government”	the government of Hong Kong;
“Group”	the Company and its subsidiaries;
“Group’s Aggregate Annual Caps”	the aggregate amount of the Original Annual Caps and the proposed annual caps for transactions contemplated under the 2017 Connected Tenancy Framework Agreement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	a committee of the Board established with all the independent non-executive Directors, namely Mr. Fan Chun Wah Andrew, Mr. Lock Kwok On Anthony and Mr. Wu Kam On Keith, as members;

DEFINITIONS

“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 2017 Connected Tenancy Framework Agreement;
“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 2017 Connected Tenancy Framework Agreement are required to abstain from voting in the EGM on the resolution to approve the transactions contemplated under the 2017 Connected Tenancy Framework Agreement;
“Latest Practicable Date”	24 February 2017, 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 five Premises agreed to be undertaken pursuant to the 2017 Connected Tenancy Framework Agreement, details of which are set forth in “The Premises — The New Connected Leases” in this circular;
“New Tenancy Agreements”	the two tenancy agreements dated 30 June 2016 entered into between members of the Connected Landlord Entities and members of the Group as disclosed in the announcement of the Company dated 30 June 2016;

DEFINITIONS

“Original Annual Caps”	the annual caps for the continuing connected transactions contemplated under the New Tenancy Agreements as previously disclosed in the announcement of the Company dated 30 June 2016;
“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 25 premises leased by members of the Group from members of the Connected Landlord Entities, comprising the 20 premises in respect of the Existing Connected Leases and the five New Connected Leases to be leased pursuant to the 2017 Connected Tenancy Framework Agreement as set forth in the table headed “The Premises” in this circular;
“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;
“Tenancy Framework Agreement”	the tenancy framework agreement dated 28 October 2014 entered into among the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. CN Yeung as disclosed in the prospectus of the Company dated 4 November 2014;
“Valuer” or “Asset Appraisal”	Asset Appraisal Limited, an independent property valuer; and
“%”	per cent.

LETTER FROM THE BOARD



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

Registered office:

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

Independent non-executive Directors:

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

*Principal place of business
in Hong Kong:*

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

28 February 2017

To the Shareholders

Dear sir or madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcements of the Company dated 18 January 2017 and 24 February 2017 in relation to the 2017 Connected Tenancy Framework Agreement. The purposes of this circular are:

- (a) to provide you with further information relating to the 2017 Connected Tenancy Framework Agreement;
- (b) to set out the recommendations of the Independent Board Committee relating to the 2017 Connected Tenancy Framework 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 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.

LETTER FROM THE BOARD

2. THE 2017 CONNECTED TENANCY FRAMEWORK AGREEMENT AND THE 2017 CONNECTED TENANCY AGREEMENTS

Principal terms of the 2017 Connected Tenancy Framework Agreement

The following sets forth a summary of the principal terms of the 2017 Connected Tenancy Framework Agreement:

- Date** : 18 January 2017
- Parties** :
- (a) The Company;
 - (b) Mr. Yeung, an executive Director, the chairman, the chief executive officer and one of the Controlling Shareholders;
 - (c) Mr. YC Yeung, an executive Director and one of the Controlling Shareholders;
 - (d) Mr. YK Yeung, an executive Director and one of the Controlling Shareholders;
 - (e) Mr. CN Yeung, the son of Mr. YC Yeung; and
 - (f) Mr. Leung, an executive Director.

- Agreement to enter into the 2017 Connected Tenancy Agreements** : The parties to the 2017 Connected Tenancy Framework Agreement agreed that relevant members of the Group and relevant members of the Connected Landlord Entities shall, subject to the approval of 2017 Connected Tenancy Framework Agreement by the Independent Shareholders, further enter into a separate 2017 Connected Tenancy Agreement in respect of lease of each of the Premises within the three-year term of the 2017 Connected Tenancy Framework Agreement commencing from 1 April 2017 to 31 March 2020 (both days inclusive).

Pursuant to the 2017 Connected Tenancy Framework Agreement, the parties agreed to (a) renew the Existing Connected Leases; and (b) enter into the New Connected Leases, for periods ranging from 29 months to 36 months within the term of the 2017 Connected Tenancy Framework Agreement.

LETTER FROM THE BOARD

The parties agree that all the 2017 Connected Tenancy Agreements shall be, among others:

- (a) in writing and set forth the terms and conditions on which the Existing Connected Leases and the New Connected Leases shall be undertaken;
- (b) reflect the then prevailing market rates and no less favourable than the terms and conditions offered by an independent third party (as defined in the Listing Rules);
- (c) have a fixed term period not exceeding three years; and
- (d) given that there are many detailed terms in the 2017 Connected Tenancy Agreements, for prudence sake, in the event of any conflict between the terms of the 2017 Connected Tenancy Framework Agreement and the terms of the 2017 Connected Tenancy Agreements, the terms of the 2017 Connected Tenancy Framework Agreement shall prevail.

The principal terms of the 2017 Connected Tenancy Agreements are summarised in the table headed “Principal terms of the 2017 Connected Tenancy Agreements” below.

- Leased premises** : The details of the Premises are summarised in the table headed “The Premises” below.
- Term** : The 2017 Connected Tenancy Framework Agreement has a term of three years commencing from 1 April 2017 to 31 March 2020 (both days inclusive).
- Conditionality** : The passing by the Independent Shareholders at the Extraordinary General Meeting of an ordinary resolution by way of poll approving the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Principal terms of the 2017 Connected Tenancy Agreements

The following sets forth a summary of the principal terms of the 2017 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 2017 Connected Tenancy Agreements range from 29 months to 36 months as set forth in the table headed “The Premises” below during the three-year term of 2017 Connected Tenancy Framework Agreement.

Rent and other outgoing : Relevant member of the Group shall pay the monthly rent as set forth in the table headed “The Premises” below (exclusive of the Government rent, the Government rates and service charges) in advance without deduction or set off on the first 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 2017 Connected Tenancy Agreements.

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 2017 Connected Tenancy Agreement; and

LETTER FROM THE BOARD

- (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 (all exclusive), term and use for each of the Premises. Save for 2 Connected Tenancy Agreements which the respective landlords decided not to renew the same due to commercial considerations, the Group would renew the rest of the Connected Tenancy Agreements. For details, please refer to the section headed “The Existing Connected Leases”. The parties have agreed to, subject to the approval of the 2017 Connected Tenancy Framework Agreement by the Independent Shareholders, enter into a separate 2017 Connected Tenancy Agreement for the lease of each of the Premises:

The Existing Connected Leases

	Landlord	Tenant	Location	Monthly rental (all exclusive)	Term	Use
1.	Foo Lum Hot Pot Restaurant Limited ⁽¹⁾	China Excellent International Limited	Restaurant 501, 5/F, Yue Xiu Plaza, 9 Ning Yuen Street, Kowloon	HK\$386,400	1 April 2017 to 31 March 2020	Restaurant operation
2.	Excel Source Investment Limited ⁽²⁾	China Easy Investment Limited	Portion of G/F, Lux Theatre Building, 2-20 Ming On Street, 103-105 Baker Street and 2J-2K Bulkeley Street, Kowloon	HK\$355,488	1 April 2017 to 31 March 2020	Restaurant operation
3.	China Hall Enterprises Limited ⁽³⁾	Sino Talent Investment Limited	Restaurant A, 1/F, Tower 1 Enterprise Square, 9 Sheung Yuet Road, Kowloon ⁽⁷⁾	HK\$349,440	1 April 2017 to 31 March 2020	Restaurant operation
4.	Spring Luck Hong Kong Limited ⁽⁶⁾	Sino Talent Investment Limited	Shops Nos. 15 and 16 on G/F, office No. 2 together with the flat roof thereof on 1/F and portion C of office No. 3 including portion of flat roof thereof on 1/F of Honour Building, Nos. 78, 78A-B, 78D-H, 78L-N, 78P-R, 78U-Y, 80, 80A-C, 80E-H, 80J-K, 80N, 80P-Q, 80S-W To Kwa Wan Road, Nos. 64-68, 72-78 Sheung Heung Road, Nos. 2-30, 30A-D, 34-36, 40-58 Cheung Ning Street, Kowloon, Hong Kong ⁽⁷⁾	HK\$403,200	1 April 2017 to 31 March 2020	Restaurant operation

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	Landlord	Tenant	Location	Monthly rental (all exclusive)	Term	Use
5.	Sino Billion Development Limited ⁽³⁾	Gold China Enterprise Limited	Shop No. 91A on the G/F and 1/F, shop No. 125B on 2/F, portion 1 of shop No. 103A on 1/F and portion 1 of shop No. 104A on 2/F, Nos. 69-119 Broadway, Mei Foo Sun Chuen, Kowloon, Hong Kong ⁽⁷⁾	HK\$841,800	1 April 2017 to 31 March 2020	Restaurant operation
6.	Excel Source Investment Limited ⁽²⁾	Sino Talent Investment Limited	Portion of shop 1A on level 5 and the whole of level 6, The Commercial Block of Greenwood Terrace, 16 Tai Man Street, Hong Kong ⁽⁷⁾	HK\$425,600	1 April 2017 to 31 March 2020	Restaurant operation
7.	China Spring Development Limited ⁽⁶⁾	Sino Talent Investment Limited	Shop A, G/F, Kwai Chung Car Park and Shopping Centre, 26-30 Wo Yi Hop Road, Kwai Chung, New Territories	HK\$360,640	1 April 2017 to 31 March 2020	Restaurant operation
8.	Central Big Enterprises Limited ⁽⁶⁾	New Central Hong Kong Development Limited	Restaurant on 1/F (including lavatories, lift lobby and entrance hall on 1/F, escalators leading to the restaurant from G/F, staircases No. 5, 6 & 8 and lift No. 11 and lift machine room for lift No. 11 on 2/F), Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong ⁽⁷⁾	HK\$350,000	1 April 2017 to 31 March 2020	Restaurant operation
9.	Sino Billion Development Limited ⁽³⁾	Sinotec H.K. Investments Limited	Portion of unit No. G16 on G/F, units Nos. B105, B106, B107, B108, B109, B110, B111, B112, B113, B114, B115, B116, B117, B118, B119, B120, B121, B122, B131, B132 and coffee shop "A" on basement 1/F, East Ocean Centre, No. 98 Granville Road, Kowloon, Hong Kong ⁽⁷⁾	HK\$414,400	1 April 2017 to 31 March 2020	Restaurant operation
10.	China Crown Industrial Limited ⁽³⁾	Midway Enterprise Limited	4/F, Shatin Fun City, 7 Lek Yuen Street, Shatin, New Territories	HK\$334,880	1 April 2017 to 31 March 2020	Restaurant operation

LETTER FROM THE BOARD

	Landlord	Tenant	Location	Monthly rental (all exclusive)	Term	Use
11.	China Spring Development Limited ⁽⁶⁾	Sino Talent Investment Limited	Restaurant 5-6, G/F, restaurant 8, 1/F & portion of restaurant 7, 1/F together with car parking spaces Nos. C106, C107 and C108 on 1/F, Canaryside, 8 Shung Shun Street, Kowloon ⁽⁷⁾	HK\$344,100	1 April 2017 to 31 March 2020	Restaurant operation
12.	Central Steel Limited ⁽⁴⁾	Fulum Management Limited	Unit E, 14/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$47,000	1 April 2017 to 31 March 2020	Headquarters
13.	China Hall Enterprises Limited ⁽³⁾	Sino Copper Limited	Unit G5, G/F, Enterprise Square, 9 Sheung Yuet Road, Kowloon ⁽⁷⁾	HK\$322,560	1 April 2017 to 31 March 2020	Restaurant operation
14.	China Body Limited ⁽⁶⁾	Sino Copper Limited	Portion of G/F, car parks nos. 58, 59, 60 and 61 on lower level 3 of Elegant Garden, No. 409 Queen's Road West, Hong Kong ⁽⁷⁾	HK\$379,140	1 April 2017 to 31 March 2020	Restaurant operation
15.	Central Big Enterprises Limited ⁽⁶⁾	Central Crest Limited	Shops Nos. 1, 2, 5, 6 and portion of shop No. 4 on G/F, shops Nos. 1, 2, 3, 4, 8, 9, 13, 21, 29, 34 and 35 on 1/F, Furama Building, No. 15 Castle Peak Road, Kowloon, Hong Kong ⁽⁷⁾	HK\$146,400	1 April 2017 to 31 March 2020	Restaurant operation
16.	China Hall Enterprises Limited ⁽³⁾	Sino Rank Limited	1-5/F, and parking spaces Nos. L3, L4, L8, L9, L10, P1, P2, P3, P6, P7 and P8 on G/F Sandoz Centre, 178-182 Texaco Road, Tsuen Wan, New Territories ⁽⁷⁾	HK\$873,000	1 April 2017 to 31 March 2020	Central kitchen and logistics centre

LETTER FROM THE BOARD

	Landlord	Tenant	Location	Monthly rental (all exclusive)	Term	Use
17.	China Crown Industrial Limited ⁽³⁾	Fulum Management Limited	The whole of 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$280,000	1 April 2017 to 31 March 2020	Headquarters
18.	China Crown Industrial Limited ⁽³⁾	Central Loyal Limited	Shops 129, 130, 131, 132 & portion of Shop No. 133, 2/F, Nos. 94-132 (Stage VIII) Broadway, Mei Foo Sun Chuen, Mei Foo, Kowloon ⁽⁷⁾	HK\$322,000	1 April 2017 to 31 March 2020	Restaurant operation
19.	China Label Industries Limited ⁽⁵⁾	Central Crest Limited	Shop B5 on G/F, (including the roof immediately above the shop) and cockloft B3 (including the roof immediately above cockloft), Fung Cheung House, Nos. 5-15, 19-33 Wan Fung Street, Kowloon, Hong Kong ⁽⁷⁾	HK\$103,040	1 April 2017 to 31 March 2020	Restaurant operation
20.	China All Enterprises Limited ⁽⁴⁾	Sino Talent Investment Limited	Unit A on G/F, Unit A on 1/F and the canopy adjoining such unit and portion of unit A on 2/F, Kin Wing Commercial Building, Nos. 24-30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong ⁽⁷⁾	HK\$198,738	1 November 2017 to 31 March 2020	Restaurant operation

The New Connected Leases

	Landlord	Tenant	Location	Monthly rental (all exclusive)	Term	Use
1.	Sino Billion Development Limited ⁽³⁾	Fulum Management Limited	Unit B, 2/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$50,000	1 April 2017 to 31 March 2020	Warehouse
2.	China Crown Industrial Limited ⁽³⁾	Fulum Management Limited	Unit D, 14/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$50,300	1 April 2017 to 31 March 2020	Headquarters
3.	Spring Luck Hong Kong Limited ⁽⁶⁾	Fulum Management Limited	Unit F (including flat roof), 4/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$56,800	1 April 2017 to 31 March 2020	Warehouse

LETTER FROM THE BOARD

Landlord	Tenant	Location	Monthly rental (all exclusive)	Term	Use
4. Spring Luck Hong Kong Limited ⁽⁶⁾	Fulum Management Limited	Unit A, 23/F & portion of stores A and Flat Roof A on 23/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$46,000	1 April 2017 to 31 March 2020	Warehouse
5. Skies Faithful Limited ⁽⁶⁾	Sino Emotion Limited	Shop 228A on 2nd Floor together with Car Parking Space Nos. P67 & P68 on Basement Floor, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories	HK\$28,000 ⁽⁸⁾	1 April 2017 to 31 March 2020	Restaurant operation

Notes:

- (1) Foo Lum Hot Pot Restaurant Limited is owned as to 31.25%, 31.25%, 18.75% and 18.75%, respectively, by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung and is hence an associate of a connected person of our Company under the Listing Rules.
- (2) Excel Source Investment Limited is indirectly owned as to 41%, 31%, 21% and 7%, respectively, by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung, and is hence an associate of a connected person of our Company under the Listing Rules.
- (3) Each of China Hall Enterprises Limited, Sino Billion Development Limited and China Crown Industrial Limited is directly owned as to 1% by Mr. Yeung and as to 99% by Foo Lum Properties Limited, which is indirectly owned as to 41%, 31%, 21% and 7%, 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.
- (4) Each of Central Steel Limited and China All Enterprises 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.
- (5) China Label Industries Limited is directly owned as to 49% by Mr. CN Yeung and as to 51% by Mr. YC Yeung, and hence is an associate of a connected person of our Company under the Listing Rules.
- (6) Each of Central Big Enterprises Limited, China Spring Development Limited, China Body Limited, Spring Luck Hong Kong Limited and Skies Faithful Limited is directly wholly-owned by Foo Lum Properties Limited, which is indirectly owned as to 41%, 31%, 21% and 7% 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) The location represents the address presented in the land search obtained from the Land Registry of Hong Kong (the “Land Search”) which is different from the address disclosed in the prospectus of the Company dated 4 November 2014 (the “Prospectus”) for this Premises. The difference was primarily due to the address presented in the Prospectus referred to the address contained in the respective Connected Tenancy Agreement which did not reflect specifically to the address contained in the Land Search.
- (8) There will be a 1-month rent free period, being April 2017, for Shop 228A and the monthly rent of which is HK\$20,000.

LETTER FROM THE BOARD

3. PRINCIPAL TERMS OF THE NEW TENANCY AGREEMENTS

Principal terms of the New Tenancy Agreements are set forth in the announcement of the Company dated 30 June 2016.

4. BASIS OF DETERMINATION OF THE RENT OF THE PREMISES

The 2017 Connected Tenancy Framework Agreement was entered into on an arm's length negotiations. The aggregate rent of the Premises for the years ending 31 March 2018, 2019 and 2020 are HK\$89,356,246, HK\$89,627,112 and HK\$89,627,112, respectively. 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 according 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, floor level, immediate availability as well as the facilities and management services associated with the Premises.

The Valuer has assessed the market rents of the Premises as at 5 December 2016 and issued the fair rent letters on 18 January 2017. In determining the market rents, the Valuer has taken into consideration (i) the prevailing market conditions; (ii) the rental level of similar properties at the vicinity of the Premises; (iii) the rent that can be achieved under normal commercial terms of tenancy agreement under arm's length transactions after normal marketing period without compulsion; and (iv) the tenant's unfettered leasehold interests in the Premises without subject to any encumbrances to which the Premises may be subject. In the course of assessing whether the terms and conditions under the 2017 Connected Tenancy Agreement are no less favourable than the terms and conditions offered by an independent third party, the Directors compared the terms and conditions under the 2017 Connected Tenancy Agreement with other tenancy agreements entered into by the Group with independent third parties. The Board reviewed 10 leases entered into between the Group and independent third parties, the term of which commenced during the 9-month period ended 31 December 2016 to consider and compare the terms and conditions, such as the tenant's obligations, charges payable in addition to the rents, restrictions and prohibitions imposed on the premises, of the 2017 Connected Tenancy Agreements with the tenancy agreements entered into with the independent third parties for premises of similar usages, sizes and nearby geographic locations. The Board is of the opinion that the terms and conditions under the 2017 Connected Tenancy Agreement are on normal commercial terms. All the terms and conditions have been revealed to and considered by the Valuer during the course of valuation.

LETTER FROM THE BOARD

5. HISTORICAL TRANSACTION AMOUNTS

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 Connected Tenancy Agreements, 2015 Tenancy Agreement and the New Tenancy Agreements. The following sets forth the total historical transaction amounts during the two years ended 31 March 2016 and the 9-month period ended 31 December 2016:

	For the year ended 31 March		9-month period ended
	2015 HK\$	2016 HK\$	31 December 2016 HK\$ <i>(unaudited)</i>
Connected Tenancy Agreements	76,869,100	79,196,000 ⁽¹⁾	57,334,500
2015 Tenancy Agreement	—	740,000 ⁽²⁾	1,332,000
New Tenancy Agreements	—	—	1,973,500 ⁽³⁾
Total	<u>76,869,100</u>	<u>79,936,000</u>	<u>60,640,000</u>

Notes:

1. One of the tenancies with a monthly rent of HK\$250,000 was terminated with effect from 29 February 2016; and
2. Representing the rent paid for the premises under the 2015 Tenancy Agreement for the five months ended 31 March 2016 (from 1 November 2015 to 31 March 2016).
3. Representing the aggregate rent paid for the two premises under the New Tenancy Agreements for the five months ended 31 December 2016.

Historical transaction amounts of the Existing Connected Leases

The Existing Connected Leases represented the 20 out of 22 Connected Tenancy Agreements to be renewed under the 2017 Connected Tenancy Agreements. The historical transaction amounts of the Existing Connected Leases during the two years ended 31 March 2016 and the 9-month period ended 31 December 2016 were HK\$73,729,900, HK\$76,197,600 and HK\$57,148,200, respectively.

LETTER FROM THE BOARD

The total historical annual caps

The following sets forth the Group's total historical annual caps during the two years ended 31 March 2016 and the year ending 31 March 2017:

Annual caps under the:	For the year ended/ending 31 March		
	2015	2016	2017
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Tenancy Framework Agreement	80,000,000	80,000,000	80,000,000
2015 Tenancy Agreement	—	740,000	1,776,000
Original Annual Caps	—	—	6,694,000
Total	80,000,000	80,740,000	88,470,000

6. THE GROUP'S AGGREGATE ANNUAL CAPS AND THE 2017 PROPOSED ANNUAL CAPS

The following sets forth the Group's total annual caps in relation to the continuing connected transactions with the Connected Landlord Entities:

Annual caps under the:	For the year ending 31 March							
	2017		2018		2019		2020	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Tenancy Framework Agreement	80,000,000		—		—			—
2015 Tenancy Agreement	1,776,000		1,776,000		1,036,000 ⁽¹⁾			—
Group's Aggregate Annual Caps:								
— Original Annual Caps	6,694,000		10,041,000		10,041,000		3,347,000	
— 2017 Proposed Annual Caps	—	6,694,000	89,356,246	99,397,246 ⁽²⁾	89,627,112	99,668,112	89,627,112	92,974,112
Total	88,470,000		101,173,246		100,704,112		92,974,112	

Notes:

- (1) The rents payable for the period from 1 April 2018 to 31 October 2018.
- (2) Represented the aggregate rent of the Premises under the 2017 Connected Tenancy Agreements and the 7-month rent under the Connected Tenancy Agreement, being HK\$162,900 per month, of Premises no. 20 under "The Existing Connected Leases" for the period from 1 April 2017 to 31 October 2017.

Aggregation of transactions

Reference is made to the announcement of the Company dated 30 June 2016 in respect of the New Tenancy Agreements. Given that (i) the New Tenancy Agreements and the 2017 Connected Tenancy Framework Agreement were entered into by the Group within a 12-month period; and (ii) all the landlords under the New Tenancy Agreements and the 2017 Connected Tenancy Framework Agreement are members of the Connected Landlord Entities, the transactions contemplated under the 2017 Connected Tenancy Framework Agreement are required to be aggregated with the transactions contemplated

LETTER FROM THE BOARD

under the New 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 2017 Proposed Annual Caps” for details.

The 2017 Proposed Annual Caps

The 2017 Proposed Annual Caps were determined after taking into account the rent of the Premises which reflected the market rent of the Premises according to the fair rent letters issued by the Valuer and 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. In respect of the 2017 Proposed Annual Caps for the year ending 31 March 2018, it represents the aggregate of (i) the 12-month rent of Premises no. 1–19 under “The Existing Connected Leases”; (ii) the 12-month rent of Premises no. 1–5 under “The New Connected Leases”; (iii) the 7-month rent under the Connected Tenancy Agreement, being HK\$162,900 per month, of Premises no. 20 under “The Existing Connected Leases” for the period from 1 April 2017 to 31 October 2017; and (iv) the 5-month rent under the 2017 Connected Tenancy Agreement of the said Premises no. 20 for the period from 1 November 2017 to 31 March 2018. In respect of the 2017 Proposed Annual Caps for each of the two years ending 31 March 2020, it represents the aggregate of the 12-month rent of all of the Premises.

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

7. REASONS AND BENEFITS OF ENTERING INTO THE 2017 CONNECTED TENANCY FRAMEWORK AGREEMENT

Out of the 25 Premises, 18 of them would be used as the Group’s restaurants. These 18 Premises are all located in prime locations of various districts in the New Territories, Kowloon and the Hong Kong Island, 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 Group’s restaurants in prime locations. One of the Premises would be used as the Group’s central kitchen and logistics centre. The Group has been using the central kitchen and logistics centre and would therefore enter into the relevant 2017 Connected Tenancy Agreement to save the relocation costs. The remaining six Premises would be used as the Group’s headquarters and warehouses. Three out of these six Premises would be occupied by the Group as warehouses for storing replaced-furniture from restaurants and decorations for wedding banquets. It is expected that the Group may utilise such furniture and decorations to support event bookings in its restaurants where occasionally require additional settings and to cater for customers’ specifications for the venue. The replaced-furniture also serves as back-up to enable new restaurants to commence operations without undue delay. Even though the Group does not have any imminent expansion plan, the Directors consider that the Company is of imminent needs for renting these three warehouses for the foreseeable renovations and maintenances of the Group’s existing restaurants. In particular, one of the tenancies of a restaurant with an independent third party would be expired on 28 February 2017. As these six Premises are

LETTER FROM THE BOARD

expansion from the existing headquarters located in the same building, 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 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 2017 Connected Tenancy Framework Agreement.

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 2017 Connected Tenancy Framework 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 2017 Connected Tenancy Framework Agreement and the transactions contemplated thereunder.

Save for the aforesaid and to the best knowledge, information and belief of the Company, as at the date of this circular, none of the other Directors has any material interest in the 2017 Connected Tenancy Framework Agreement and the transactions contemplated thereunder and therefore no other Director is required to abstain from voting on the proposed resolutions approving the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.

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

- (i) the terms of the 2017 Connected Tenancy Framework Agreement are on normal commercial terms and are fair and reasonable;
- (ii) the amount of the 2017 Proposed 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 2017 Connected Tenancy Framework 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.

8. INFORMATION OF THE PARTIES

Information about 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 2017 Connected Tenancy Framework Agreement by the Independent Shareholders, enter into the 2017 Connected Tenancy Agreements as tenants, are indirect wholly-owned

LETTER FROM THE BOARD

subsidiaries of the Company and are principally engaged in restaurant operations, provision of management services to fellow subsidiaries or processing, sale and distribution of food products in Hong Kong.

Information about the Connected Landlord Entities

All the relevant members of the Connected Landlord Entities which would, subject to the approval of the 2017 Connected Tenancy Framework Agreement by the Independent Shareholders, enter into the 2017 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.

9. 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 2017 Connected Tenancy Framework 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 2017 Connected Tenancy Framework Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The 2017 Connected Tenancy Framework Agreement will be subject to the notification, announcement, annual review, circular (including independent financial advice) and Independent Shareholders’ approval requirements under the Listing Rules.

EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 46 to 47 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.

Each of Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung has material interests in the 2017 Connected Tenancy Framework Agreement and the transactions contemplated thereunder, Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. Leung would therefore abstain from voting on the resolution(s) to be proposed at the EGM approving the entering into of the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.

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 in which the others are interested. As at the Latest Practicable

LETTER FROM THE BOARD

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, representing approximately 71.28% of the number of Shares in issue as at the Latest Practicable Date, 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, representing approximately 5.43% of the number of Shares in issue as at the Latest Practicable Date, consisting of 66,625,000 Shares and 4,000,000 Share Option Shares.

Save for the aforesaid and to the best knowledge, information and belief of the Company, as at the date of this circular, no other Shareholder has a material interest in the 2017 Connected Tenancy Framework Agreement and therefore no other Shareholder is required to abstain from voting on the proposed resolutions approving the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.

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) and the Company (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.

GENERAL INFORMATION

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

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 2017 Connected Tenancy Framework Agreement; and (ii) the letter from Octal Capital set out on pages 24 to 38 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 2017 Connected Tenancy Framework Agreement.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Octal Capital, the Independent Financial Adviser, considers that the terms of the 2017 Connected Tenancy Framework 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 2017 Connected Tenancy Framework Agreement.

Yours faithfully,
By order of the Board of
Fulum Group Holdings Limited
YEUNG WAI
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.



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)

28 February 2017

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 28 February 2017 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized 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 2017 Connected Tenancy Framework 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 Limited as set out on pages 24 to 38 of the Circular and the letter from the Board as set out on pages 5 to 21 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the 2017 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 consider that the terms of the 2017 Connected Tenancy Framework 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, and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed to approve the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.

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

Mr. FAN Chun Wah
Andrew
Independent non-executive
Director

Mr. LOCK Kwok On
Anthony
Independent non-executive
Director

Mr. WU Kam On
Keith
Independent non-executive
Director

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



802–805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

28 February 2017

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 2017 Connected Tenancy Framework Agreement and the 2017 Proposed 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 28 February 2017 (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 prospectus of the Company dated 4 November 2014 (the “**Prospectus**”) in respect of the Tenancy Framework Agreement between the Company and the entities controlled by Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung and Mr. CN Yeung (the “**Yeung’s Entities**”) to lease certain properties from the Yeung’s Entities in accordance with the respective terms of the Connected Tenancy Agreements is going to expire on 31 March 2017. The Group intends to continue the transactions contemplated thereunder and therefore, on 18 January 2017 (after trading hours), the Company and Mr. Yeung, Mr. YC Yeung, Mr. YK Yeung, Mr. CN Yeung and Mr. Leung (the “**Landlord’s Group**”) entered into the 2017 Connected Tenancy Framework Agreement. The parties to the 2017 Connected Tenancy Framework Agreement agreed that relevant members of the Group and relevant members of the Connected Landlord Entities shall, subject to the approval of 2017 Connected Tenancy Framework Agreement by the Independent Shareholders, further enter into a separate 2017 Connected Tenancy Agreement in respect of lease of each of the Premises within the term of the 2017 Connected Tenancy Framework Agreement commencing from 1 April 2017 to 31 March 2020 (both days inclusive). Pursuant to the 2017 Connected Tenancy Framework Agreement, the parties agreed to (i) renew the Existing Connected Leases; and (ii) enter into the New Connected Leases within the term of the 2017 Connected Tenancy Framework Agreement.

LETTER FROM OCTAL CAPITAL

Reference is made to the announcement of the Company dated 30 June 2016 (the “**2016 Announcement**”) in respect of the New Tenancy Agreements. Given that (i) the New Tenancy Agreements and the 2017 Connected Tenancy Framework Agreement were entered into by the Group within a 12-month period; and (ii) all the landlords under the New Tenancy Agreements and the 2017 Connected Tenancy Framework Agreement are members of the Connected Landlord Entities, the transactions contemplated under the 2017 Connected Tenancy Framework Agreement are required to be aggregated with the transactions contemplated under the New Tenancy Agreements pursuant to Rule 14.22, Rule 14.23 and Rule 14A.81 of the Listing Rules to be Group’s Aggregate Annual Caps.

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 2017 Connected Tenancy Framework 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 2017 Connected Tenancy Framework 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 2017 Connected Tenancy Framework Agreement will be subject to the notification, announcement, annual review, circular (including independent financial advice) and Independent Shareholders’ approval requirements under the Listing Rules.

An Extraordinary General Meeting will be convened, during which ordinary resolutions will be proposed to the Independent Shareholders to consider and if appropriate, approve the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the Extraordinary General Meeting will be taken by poll.

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 entering into of the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or the Landlord’s 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, there was no previous engagement between us and the Company or the Landlord’s Group or the Connected Landlord Entities or any of their respective subsidiaries or associates. Apart from normal professional fees payable to us by the Company in connection with this appointment, 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 or the Landlord’s Group or the Connected Landlord Entities or any of their respective subsidiaries or associates.

LETTER FROM OCTAL CAPITAL

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, the Landlord's Group, the Connected Landlord Entities and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

THE NEW CONTINUING CONNECTED TRANSACTIONS

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps commencing from 1 April 2017 to 31 March 2020 and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

A. Background of and reasons for the terms of the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder

As set out in the Letter from the Board, the Company is principally engaged in restaurant operations in Hong Kong and Mainland China, production, sale and distribution of food products related to restaurant operations.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 November 2014. As stated in the Prospectus, the Group has entered into 22 Connected Tenancy Agreements to lease certain properties from the Yeung's Entities used for the restaurant operations, as headquarters, as warehouses or as the central kitchen or logistics centre under the Tenancy Framework Agreement.

LETTER FROM OCTAL CAPITAL

In order to continue the current mode of operation of the restaurant business, the Group intends to renew the Existing Connected Leases. Therefore, the Company and the Landlord's Group entered into the 2017 Connected Tenancy Framework Agreement on 18 January 2017 which regulates the terms for the renewal of the Existing Connected Leases and for the New Connected Leases. Under the 2017 Connected Tenancy Framework Agreement, members of the Group shall, subject to the approval of 2017 Connected Tenancy Framework Agreement by the Independent Shareholders, enter into separate 2017 Connected Tenancy Agreements with the Connected Landlord Entities for the leases of each of the Premises. Particular of the terms of each of the 2017 Connected Tenancy Agreements are set out below:

The Existing Connected Leases

Location	Monthly rental (all exclusive)	Use
1. Restaurant 501, 5/F, Yue Xiu Plaza, 9 Ning Yuen Street, Kowloon	HK\$386,400	Restaurant operation
2. Portion of G/F, Lux Theatre Building, 2–20 Ming On Street, 103–105 Baker Street and 2J–2K Bulkeley Street, Kowloon	HK\$355,488	Restaurant operation
3. Restaurant A, 1/F, Tower 1 Enterprise Square, 9 Sheung Yuet Road, Kowloon ⁽¹⁾	HK\$349,440	Restaurant operation
4. Shops Nos. 15 and 16 on G/F, office No. 2 together with the flat roof thereof on 1/F and portion C of office No. 3 including portion of flat roof thereof on 1/F of Honour Building, Nos. 78, 78A–B, 78D–H, 78L–N, 78P–R, 78U–Y, 80, 80A–C, 80E–H, 80J–K, 80N, 80P–Q, 80S–W To Kwa Wan Road, Nos. 64–68, 72–78 Sheung Heung Road, Nos. 2–30, 30A–D, 34–36, 40–58 Cheung Ning Street, Kowloon, Hong Kong ⁽¹⁾	HK\$403,200	Restaurant operation
5. Shop No. 91A on the G/F and 1/F, shop No. 125B on 2/F, portion 1 of shop No. 103A on 1/F and portion 1 of shop No. 104A on 2/F, Nos. 69–119 Broadway, Mei Foo Sun Chuen, Kowloon, Hong Kong ⁽¹⁾	HK\$841,800	Restaurant operation

LETTER FROM OCTAL CAPITAL

Location	Monthly rental (all exclusive)	Use
6. Portion of shop 1A on level 5 and the whole of level 6, The Commercial Block of Greenwood Terrace, 16 Tai Man Street, Hong Kong ⁽¹⁾	HK\$425,600	Restaurant operation
7. Shop A, G/F, Kwai Chung Car Park and Shopping Centre, 26–30 Wo Yi Hop Road, Kwai Chung, New Territories	HK\$360,640	Restaurant operation
8. Restaurant on 1/F (including lavatories, lift lobby and entrance hall on 1/F, escalators leading to the restaurant from G/F, staircases No. 5, 6 & 8 and lift No. 11 and lift machine room for lift No. 11 on 2/F), Tuen Mun Central Square, No. 22 Hoi Wing Road, Tuen Mun, New Territories, Hong Kong ⁽¹⁾	HK\$350,000	Restaurant operation
9. Portion of unit No. G16 on G/F, units Nos. B105, B106, B107, B108, B109, B110, B111, B112, B113, B114, B115, B116, B117, B118, B119, B120, B121, B122, B131, B132 and coffee shop “A” on basement 1/F, East Ocean Centre, No. 98 Granville Road, Kowloon, Hong Kong ⁽¹⁾	HK\$414,400	Restaurant operation
10. 4/F, Shatin Fun City, 7 Lek Yuen Street, Shatin, New Territories	HK\$334,880	Restaurant operation
11. Restaurant 5–6, G/F, restaurant 8, 1/F & portion of restaurant 7, 1/F together with car parking spaces Nos. C106, C107 and C108 on 1/F, Canaryside, 8 Shung Shun Street, Kowloon ⁽¹⁾	HK\$344,100	Restaurant operation
12. Unit E, 14/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$47,000	Headquarters
13. Unit G5, G/F, Enterprise Square, 9 Sheung Yuet Road, Kowloon ⁽¹⁾	HK\$322,560	Restaurant operation

LETTER FROM OCTAL CAPITAL

Location	Monthly rental (all exclusive)	Use
14. Portion of G/F, car parks nos. 58, 59, 60 and 61 on lower level 3 of Elegant Garden, No. 409 Queen's Road West, Hong Kong ⁽¹⁾	HK\$379,140	Restaurant operation
15. Shops Nos. 1, 2, 5, 6 and portion of shop No. 4 on G/F, shops Nos. 1, 2, 3, 4, 8, 9, 13, 21, 29, 34 and 35 on 1/F, Furama Building, No. 15 Castle Peak Road, Kowloon, Hong Kong ⁽¹⁾	HK\$146,400	Restaurant operation
16. 1-5/F, and parking spaces Nos. L3, L4, L8, L9, L10, P1, P2, P3, P6, P7 and P8 on G/F Sandoz Centre, 178-182 Texaco Road, Tsuen Wan, New Territories ⁽¹⁾	HK\$873,000	Central kitchen and logistics centre
17. The whole of 15/F., Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$280,000	Headquarters
18. Shops 129, 130, 131, 132 & portion of Shop No. 133, 2/F, Nos. 94-132 (Stage VIII) Broadway, Mei Foo Sun Chuen, Mei Foo, Kowloon ⁽¹⁾	HK\$322,000	Restaurant operation
19. Shop B5 on G/F, (including the roof immediately above the shop) and cockloft B3 (including the roof immediately above cockloft), Fung Cheung House, Nos. 5-15, 19-33 Wan Fung Street, Kowloon, Hong Kong ⁽¹⁾	HK103,040	Restaurant operation
20. Unit A on G/F, Unit A on 1/F and the canopy adjoining such unit and portion of unit A on 2/F, Kin Wing Commercial Building, Nos. 24-30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong ⁽¹⁾	HK\$198,738 ⁽³⁾	Restaurant operation

LETTER FROM OCTAL CAPITAL

The New Connected Leases

Location	Monthly rental (all exclusive)	Use
1. Unit B, 2/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$50,000	Warehouse
2. Unit D, 14/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$50,300	Headquarters
3. Unit F (including flat roof), 4/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$56,800	Warehouse
4. Unit A, 23/F & portion of stores A and Flat Roof A on 23/F, Luk Hop Industrial Building, 8 Luk Hop Street, San Po Kong, Kowloon	HK\$46,000	Warehouse
5. Shop 228A on 2nd Floor together with Car Parking Space Nos. P67 & P68 on Basement Floor, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories	HK\$28,000 ⁽²⁾	Restaurant operation

Note:

- (1) The location represents the address presented in the land search obtained from the Land Registry of Hong Kong (the “**Land Search**”) which is different from the address disclosed in the Prospectus. The difference was primarily due to the address presented in the Prospectus referred to the address contained in the respective Connected Tenancy Agreement which did not reflect specifically to the address contained in the Land Search.
- (2) There will be a 1-month rent free period, being April 2017, for the Shop 228A with the monthly rent of HK\$20,000.
- (3) The monthly rent of Premises no.20 is HK162,900 from 1 April 2017 to 31 October 2017 under the Connected Tenancy Agreement and HK\$198,738 from 1 November 2017 to 31 March 2020 under the 2017 Connected Tenancy Agreement. As stated in the prospectus of the Company dated 4 November 2014, The waiver, from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules, the Shareholders’ approval requirement under Rule 14A.36 to Rule 14A.45 of the Listing Rules and the circular (including independent financial advice) requirement under Rule 14A.46 to 14A.48 of the Listing Rules as may otherwise be required of the Company in respect of the Connected Tenancy Agreements pursuant to Rule 14A.102 and Rule 14A.105 of the Listing Rules, has been granted to the Company.

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The 2017 Connected Tenancy Framework Agreement stipulates that (i) all the tenancy transactions must be in writing; (ii) all the tenancy transactions must reflect the prevailing market rates; (iii) all the tenancy transactions must have a fixed term period not exceeding three years; and (iv) given that there are many detailed terms in the 2017 Connected Tenancy Agreements, for prudence sake, the terms of the 2017 Connected Tenancy Framework Agreement shall prevail in the event of any conflict between the terms of the 2017 Connected Tenancy Framework Agreement and the terms of the 2017 Connected Tenancy Agreements.

Among the Premises under the 2017 Connected Tenancy Framework Agreement, (i) 18 Premises are used for restaurant operation; (ii) 3 Premises are used for warehouse; (iii) 3 Premises are used for headquarters; and (iv) 1 Premise is used for central kitchen and logistics centre.

20 out of the 25 Premises under the 2017 Connected Tenancy Framework Agreement represent renewals of the respective Connected Tenancy Agreements among which 19 renewals of the Connected Tenancy Agreements will commence from 1 April 2017 and the remaining renewal of the Connected Tenancy Agreement will commence from 1 November 2017 while all the 20 renewals of the Connected Tenancy Agreements will end on 31 March 2020. Nevertheless, the tenancy agreements of two properties under the Connected Tenancy Agreements were not renewed because the respective landlords indicated that they do not intend to extend the respective lease agreements with the Group due to commercial considerations.

By renewing the Existing Connected Leases, the Group can maintain the current prime locations for restaurant operation that the Group considers them with easy transportation access and of great convenience to the customers and able to further strengthen the branding and maintain the number of the Group's restaurants in prime locations.

Moreover, entering into the 2017 Connected Tenancy Framework Agreement could meet the business needs of the Group resulting from the growth of its business and could also bring about economic benefits to the Group by (i) saving additional relocation and decoration expenses which may be incurred if the Group relocates from existing locations to any new location; and (ii) maintaining the cash balance of approximately HK\$569,698,000 as at 30 September 2016 as disclosed in the latest interim report of the Company to preserve the liquidity and provide flexibility to the Group as working capital for restaurant operation and thereby saving the significant cash outflow and capital commitment that might otherwise occur if the Group opts for directly purchasing properties.

Furthermore, as set out in the Letter from the Board, the Group can achieve organic growth by entering into the five New Connected Leases. The Group needs warehouses for storing replaced-furniture from restaurants and decorations for wedding banquets. It is expected that the Group may utilise such furniture and decorations to support event bookings in its restaurants where occasionally require additional settings and to cater for customers' specifications for the venue. The

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replaced-furniture also serves as back-up to enable new restaurants to commence operations without undue delay. As stated in the annual reports of the Company for the year ended 31 March 2015 and 2016, the number of restaurant has increased from 52 as at 31 March 2014 to 64 as at 31 March 2015 and further to 77 as at 31 March 2016. Even though the Group does not have any imminent expansion plan, the Directors consider that the Company is of imminent needs for renting these warehouses for the foreseeable renovations and maintenances of the Group's existing restaurants. In particular, one of the tenancies of a restaurant with an independent third party would be expired on 28 February 2017 and the Group expects that there will be about ten restaurants which will be under renovation in the coming 12 months. Therefore, we consider that renting these warehouses can facilitate the renovation and maintenance plan of the restaurants. As advised by the Company, the Group also needs an extra space for headquarter to handle the increase of administrative work of the Group. Moreover, the Group also intends to expand the restaurant operation in Kings Wing Plaza where the Group has already had restaurant operation with reference to the 2016 Announcement.

Having considered the above, we are of the view that the entering into of the 2017 Connected Tenancy Framework Agreement is of the interest of the Shareholders and the Company as a whole.

Principal terms of the 2017 Connected Tenancy Agreements

The principal terms of the 2017 Connected Tenancy Agreements to be entered into under the 2017 Connected Tenancy Framework Agreement are summarized as follows:

Parties:	(i) Connected Landlord Entities as landlord; and (ii) the members of the Group as tenant.
Terms:	Less than or equal to 3 years commencing from the respective dates as stated in the table above to 31 March 2020 inclusive
Monthly rent:	Fixed rent as stated in the table above
Deposit:	Equivalent to 2 months' respective rent
Government rent and rates and other charges:	Borne by the members of the Group

The terms of the 2017 Connected Tenancy Agreements were determined after arm's length negotiations between the Group and the Landlord's Group with reference to standard terms of the lease agreements adopted for lease of similar premises and taking the level of market rent into account. As set out in the Letter from the Board, the Board is of the opinion that the terms and conditions under the

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2017 Connected Tenancy Agreements are on normal commercial terms after the Board reviewed 10 leases entered into between the Group and independent third parties the term of which commenced during the 9-month period ended 31 December 2016 to consider and compare the terms and conditions of the 2017 Connected Tenancy Agreements with the tenancy agreements entered into with the independent third parties for premises of similar usages, sizes and nearby geographic locations. All the terms and conditions have been revealed to and considered by the Valuer during the course of valuation. As advised by the Company, the Group has entered into 11 tenancy agreements of restaurant operation with independent third parties since 1 January 2016 up to the Latest Practicable Date (the “**Review Period**”). As advised by the management of the Company, the Group did not enter into any tenancy agreement with independently third parties for the usage of headquarter, central kitchen and logistics centre and warehouse during the Review Period. Out of the 11 tenancy agreements, we have shortlisted eight of them as relevant comparables (the “**Comparable Tenancy Agreements**”) based on the criteria that (i) the tenancy agreements are having rental period of two to three years and fixed rents; and (ii) the tenancy agreements are entered into with independent third parties. We have reviewed the respective terms and conditions of these Comparable Tenancy Agreements such as the tenant’s obligations, charges payable in addition to the rents, restrictions and prohibitions imposed on the premises. We have compared the terms and conditions of the 2017 Connected Tenancy Agreements against those of the Comparable Tenancy Agreements and noted that the terms and conditions of the 2017 Connected Tenancy Agreements are similar to those of Comparable Tenancy Agreements. We have enquired the Valuer on the terms and conditions of the 2017 Connected Tenancy Agreements of restaurant operation, headquarter, central kitchen and logistics centre and warehouse. Having considered tenancy agreements with properties in the same usages (i.e. retail shops or industrial and commercial buildings) entered into among independent third parties, the Valuer is of the view that such terms and conditions follow common market practice. To further evaluate the terms and conditions of the 2017 Connected Tenancy Agreements of headquarter, central kitchen and logistics centre and warehouse, we have also obtained and reviewed six tenancy agreements with properties in the same usages (i.e. industrial and commercial buildings) of the respective Premises (the “**Other Comparable Tenancy Agreements**”) from the Valuer. We noted that the terms and conditions of the 2017 Connected Tenancy Agreements of headquarter, central kitchen and logistics centre and warehouse are similar to those of Other Comparable Tenancy Agreements. Therefore, we concur with the Board that the terms and conditions of the 2017 Connected Tenancy Agreements are no less favourable than the terms and conditions offered by an independent third party and they are in the interests of the Company and the Shareholders as a whole.

Basis of determination of the rent under the 2017 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 according to the fair rent letters issued by the Valuer; and (ii) various

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conditions of the Premises, including but not limited to the location of the Premises, floor level, immediate availability as well as the facilities and management services associated with the Premises.

We have reviewed the fair rent letters issued by the Valuer dated 18 January 2017 and noted that the rent of the Premises equals to the rent as set out in the fair rent letters. The Valuer considered (i) the prevailing market conditions; (ii) the rental level of similar properties at the vicinity of the Premises; (iii) the rent that can be achieved under normal commercial terms of tenancy agreement under arm's length transactions after normal marketing period without compulsion; and (iv) the tenant's unfettered leasehold interests in the Premises without subject to any encumbrances to which the Premises may be subject. As part of our due diligence work, we have reviewed the comparable transactions identified by the Valuer. We noted that (i) the valuated unit rent of the Premises under the 2017 Connected Tenancy Framework Agreement are either below the minimum unit rent of the respective comparables or within the range of the unit rent of those comparables; and (ii) the comparables are in the same district where the respective Premises are located in and are in the same usage (i.e. retail shops or industrial and commercial buildings). We have confirmed with the Valuer that the Valuer has considered various conditions of the Premises including the location and floor level of the Premises. However, the Valuer considered that the factor of immediate availability is not significant and the facilities and management services associated with the Premises are not directly related to the rent of the Premises since the related charges are separately borne by the respective members of the Group. For each of the Premises, we have also independently selected three samples of the same usage (i.e. retail shops or industrial and commercial buildings) and nearby location as the respective Premises (the "**Rent Comparables**"), other than the ones provided by the Valuer, and have compared the unit rent of the Premises with that of the Rent Comparables. We noted that the unit rent of the Premises is comparable with that of the Rent Comparables and none of them exceeds the respective upper bound of the Rent Comparables. As such, we are of the view that the unit rent of the Premises reflects the prevailing market conditions. Moreover, as mentioned in the "Principal terms of the 2017 Connected Tenancy Agreements", we concur with the Board that the terms and conditions of the 2017 Connected Tenancy Agreements are no less favourable than the terms and conditions offered by an independent third party. In the light of above, we are of the view that the fair rent opinion has been reasonably prepared and is normal in nature without any unusual assumption, and the basis of determining the rent is fair and reasonable.

We have reviewed and enquired the Valuer's qualification and experience regarding to the valuation. The Valuer confirmed that it is an independent third party to the Group. We have also reviewed the terms of the Valuer's engagement with the Group, in particular, their scopes of work, and noted that it 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 them in the fair rent opinion.

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Based on the forgoing and having regard to (i) the Existing Continuing Connected Transactions between the Group and the relevant connected parties have been in existence for years; (ii) the operation needs and the economic benefits in particular enjoyed by the Company; (iii) the rent of the Premises is arrived with reference to the market rent as stated in the fair rent letter issued by the Valuer; and (iv) the terms of the 2017 Connected Tenancy Agreements are no less favourable than the terms and conditions offered by an independent third party, we are of the view that the transactions contemplated under the 2017 Connected Tenancy Framework Agreement are carried out in the ordinary and normal course of business for the Group and are no less favourable than those offered by an independent third party.

B. The total annual caps

1. 2017 Proposed Annual Caps of the transactions contemplated under the 2017 Connected Tenancy Framework Agreement

Under the transactions contemplated the Tenancy Framework Agreement, the annual caps of the corresponding rental were set as HK\$80 million, HK\$80 million and HK\$80 million for the year ended 31 March 2015 and 2016 and year ending 31 March 2017.

We noted that the fees paid by the Company to the Yeung's Entities under the Tenancy Framework Agreement were approximately HK\$76,869,100 and HK\$79,196,000 for the two years ended 31 March 2016 respectively. The historical transaction amounts represented approximately 96.1% and 99.0% of the annual caps for the years ended 31 March 2015 and 31 March 2016 respectively. As stated in the Letter from the Board, the number of leases will increase from 22 under the Tenancy Framework Agreement to 25 under the 2017 Connected Tenancy Framework Agreement and the monthly lease payment of each of the Premises under the renewal of the Existing Connected Leases will increase by approximately 14.0%. Therefore, in determining the 2017 Proposed Annual Caps, the Company has taken into consideration (i) the increase in the number of Premises under the New Continuing Connected Transactions; and (ii) the increment in the monthly rent of the respective Premises.

Reference is made to the announcement of the Company dated 20 October 2015 in respect of the annual caps under the Tenancy Framework Agreement and 2016 Announcement in respect of the Original Annual Caps under the New Tenancy Agreements. Set out below are the 2017 Proposed Annual Caps under the 2017 Connected Tenancy Framework Agreement, Original Annual Caps and the annual caps under the Tenancy Framework Agreement.

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	For the year ending 31 March			
	2017	2018	2019	2020
	HK\$	HK\$	HK\$	HK\$
Annual caps under the Tenancy Framework Agreement	80,000,000	—	—	—
Annual caps under the 2015 Tenancy Agreement	1,776,000	1,776,000	1,036,000	—
Original Annual Caps	6,694,000	10,041,000	10,041,000	3,347,000
2017 Proposed Annual Caps	—	<u>89,356,246</u>	<u>89,627,112</u>	<u>89,627,112</u>
Total annual caps	<u>88,470,000</u>	<u>101,173,246</u>	<u>100,704,112</u>	<u>92,974,112</u>

We noted that the 2017 Proposed Annual Caps were determined with reference to sum of the monthly rent of the leases stipulated in the 2017 Connected Tenancy Agreements and the Connected Tenancy Agreement in the respective period commencing from 1 April 2017 to 31 March 2020. The Proposed Annual Caps for the year ending 31 March 2018 represents the aggregate of (i) the 12-month rent of Premises no. 1–19 under “The Existing Connected Leases”; (ii) the 12-month rent of Premises no. 1–5 under “The New Connected Leases”; (iii) the 7-month rent under the Connected Tenancy Agreement, being HK\$162,900 per month, of Premises no. 20 under “The Existing Connected Leases” for the period from 1 April 2017 to 31 October 2017; and (iv) the 5-month rent under the 2017 Connected Tenancy Agreement of the said Premises no. 20 for the period from 1 November 2017 to 31 March 2018. The 2017 Proposed Annual Caps for the year ending 31 March 2019 increases by approximately HK\$270,866 as compared to the respective annual cap for the year ending 31 March 2018 which is mainly due to the full year effect of the increase of monthly rent of Premises no. 20 commencing from 1 November 2017 under the 2017 Connected Tenancy Framework Agreement. The 2017 Proposed Annual Caps for the year ending 31 March 2020 remains at the same amount as the 2017 Proposed Annual Caps for the year ending 31 March 2019 at HK\$89,627,112. Moreover, we noted that the annual caps for the renewal of the Existing Connected Leases take approximately 96.9% of the annual cap under the 2017 Connected Tenancy Framework Agreement in each of the period commencing from 1 April 2017 to 31 March 2020.

Having considered that the monthly rental payment of the lease under the 2017 Connected Tenancy Framework Agreement is determined with reference to the prevailing market rent of which the Valuer has expressed their fair rent opinion, we are of the view that the 2017 Proposed Annual Caps are fair and reasonable.

2. The conditions

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 2017 Connected Tenancy Framework Agreement constitutes discloseable transaction for the Company

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under Chapter 14 of the Listing Rules and continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The 2017 Connected Tenancy Framework Agreement will be subject to the notification, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under the Listing Rules.

The Company will therefore seek the approval by the Independent Shareholders of the transactions contemplated under the 2017 Connected Tenancy Framework Agreement and the 2017 Proposed Annual Caps subject to the following conditions:

1. The transactions contemplated under the 2017 Connected Tenancy Framework Agreement will be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted on normal commercial terms or better; and
 - (iii) entered into in accordance with the terms of the relevant framework agreements governing the transactions contemplated under the 2017 Connected Tenancy Framework Agreement that are fair and reasonable and in the interests of the Shareholders of the Company as a whole;
2. The transacted amount of the transactions contemplated under the 2017 Connected Tenancy Framework Agreement shall not exceed the 2017 Proposed Annual Caps;
3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account the conditions attached to the transactions contemplated under the 2017 Connected Tenancy Framework Agreement, in particular (i) the restriction by way of setting the 2017 Proposed Annual Caps; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the transactions contemplated under the 2017 Connected Tenancy Framework Agreement), we consider that the Company has taken appropriate measures to govern the Group in carrying out the transactions contemplated under the 2017 Connected Tenancy Framework Agreement thereby safeguarding the interests of the Shareholders thereunder.

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Recommendation

Having considered the above principal factors, we are of the opinion that the terms of the 2017 Connected Tenancy Framework Agreement, the transactions contemplated under the 2017 Connected Tenancy Framework Agreement and the 2017 Proposed 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 Company and the 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 favour of the ordinary resolutions to be proposed at the Special General Meeting for approving the 2017 Connected Tenancy Framework Agreement, the transactions contemplated under the 2017 Connected Tenancy Framework Agreement and the 2017 Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Wong Wai Leung
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 “**Securities 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 2016, 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 2016, 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 2016.

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:

Name	Qualification
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 a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors and has over 15 years' 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 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 2016.

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 Kam Tsun Jeffrey 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, of 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 and the 2017 Connected Tenancy Framework Supplemental Agreement;
- (g) the 2015 Tenancy Agreement;
- (h) the Connected Tenancy Agreements;
- (i) the New Tenancy Agreements;

- (j) the Tenancy Framework Agreement; and
- (k) this circular.

NOTICE OF EGM



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, 21 March 2017 at 11:00 a.m. 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 28 February 2017 published by the Company (the “**Circular**”).

“To consider and approve the continuing connected transactions contemplated under the 2017 Connected Tenancy Framework Agreement, the 2017 Proposed Annual Caps and the transactions contemplated thereunder.”

By order of the Board
Fulum Group Holdings Limited
YEUNG WAI
Chairman and Chief Executive Officer

Hong Kong, 28 February 2017

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company’s branch registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
5. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.

NOTICE OF EGM

6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

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. Lock Kwok On Anthony and Mr. Wu Kam On Keith as independent non-executive Directors.