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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 TRANSACTION IN RELATION TO THE AIRSIDE LEASE

The Board announces that on 21 June 2023, Sino Smart (an indirect wholly-owned subsidiary of the Company) as tenant entered into the Airside Lease with Rich Union as landlord in respect of the six-year term lease of the Airside Food Court for the operation of a new food court by the Group at “AIRSIDE”, being a new mixed-used development comprising retail complex and Grade A office located in Kai Tak, Kowloon, Hong Kong.

Pursuant to HKFRS 16, the Company will recognise the unaudited value of right-of-use asset on its consolidated statement of financial position in connection with the Airside Lease. Accordingly, the transaction contemplated under the Airside Lease will be regarded as acquisition of asset by the Company for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use asset under the Airside Lease are more than 5% but all of them are less than 25%, the transaction contemplated under the Airside Lease constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

THE LEASE OF THE AIRSIDE FOOD COURT

Background

On 21 June 2023 (after trading hours), Sino Smart (an indirect wholly-owned subsidiary of the Company) as tenant entered into the Airside Lease with Rich Union as landlord for the operation of a new food court by the Group at “AIRSIDE”, being a new mixed-used development comprising retail complex and Grade A office located at Kai Tak, Kowloon, Hong Kong.

Set out below is a summary of the principal terms of the Airside Lease:

- Date : 21 June 2023
- Parties : (a) Rich Union (as landlord); and
(b) Sino Smart (as tenant)
- Premises : Shop Nos. L504 & L505, 5/F., Airside, No.2 Concorde Road, Kai Tak, Kowloon, Hong Kong
- Use : For the operation of food court
- Term : Six years from the date to be notified by Rich Union giving a prior written notice to Sino Smart not less than thirty (30) days before the term commencement date to be prescribed in such notice, whereupon vacant possession of the premises will be delivered by Rich Union, and ending on expiration thereof (both days inclusive). In any event, Sino Smart has agreed to complete all the approved fit-out works and commence its business operation on the Airside Food Court on or before 12 September 2023 or within 3 days after receipt by Sino Smart of all necessary certificates, permits and licences issued by the relevant Governmental or other competent authorities in connection with the operation of its business, whichever is later
- Total consideration payable : For the 1st and 2nd years of the term, monthly basic rent of HK\$460,520;

For the 3rd and 4th years of the term, monthly basic rent of HK\$483,546; and

For the 5th and 6th years of the term, monthly basic rent of HK\$506,572;

subject to additional turnover rent determined with reference to the monthly gross sales turnover of the Airside Food Court which may be imposed pursuant to the terms and conditions of the Airside Lease (exclusive of management fees, promotion levy, government rates and all other outgoings)
- The Group intends to finance the rental payments by the internal resources of the Group

Rent-free period	: Six months from the actual commencement date of the term
Upfront payment	: Approximately HK\$2,504,078, representing three months' highest monthly basic rent, management fees, promotion levy and one quarter of government rates

The unaudited value of the right-of-use asset to be recognised by the Company under the terms of the Airside Lease amounted to approximately HK\$29,263,960, representing the present value of the aggregate base rent payable thereunder in accordance with HKFRS 16.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AIRSIDE LEASE

The Airside Food Court would be used for the operation of a new food court of the Group. The Board considers that the opening of a new food court of the Group is in line with the Group's strategy to diversify its business portfolio and meet the market demands for food variety and takeaways. The new food court is decided to be opened at the newly developed landmark area in Hong Kong. In particular, the Airside Food Court is located at "AIRSIDE", being a new mixed-used development comprising retail complex and Grade A office located in the Kai Tak district which is just minutes away from the Kai Tak MTR station and within walking distance to nearby parks and the stadium. Accordingly, the Company considers that the operation of the Airside Food Court would enhance the business of the Group and further maintain the presence of the Group in prime locations.

The terms of the Airside Lease, including the rental payments, were determined after arm's length negotiation between the Group and the landlord of the Airside Food Court after taking into account the prevailing market rent and lease terms of similar premises in the proximity of the Airside Food Court. The Board is of the view that the entering into of the Airside Lease is conducted in the ordinary and usual course of business of the Group, the terms and conditions thereof are fair and reasonable and the transaction contemplated thereunder is on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

Sino Smart

Sino Smart is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company which is principally engaged in operation of food courts and restaurants.

Rich Union

Rich Union is a company incorporated in Hong Kong with limited liability. Based on publicly available information, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) Rich Union is principally engaged in property investment and real estate; and (b) each of Rich Union and its ultimate beneficial owners (namely Ms. Chen Wai Wai Viven, Ms. Chow Suk Han Anna, and Ms. Lee Pui Ling Angelina (being executors of the estate of Mr. Chen Din Hwa)) is an Independent Third Party.

INFORMATION OF THE GROUP

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

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the Company will recognise the unaudited value of right-of-use asset on its consolidated statement of financial position in connection with the Airside Lease. Accordingly, the transaction contemplated under the Airside Lease will be regarded as acquisition of asset by the Company for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the value of the right-of-use asset under the Airside Lease are more than 5% but all of them are less than 25%, the transaction contemplated under the Airside Lease constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Airside Food Court”	the premises situated at Shop Nos. L504 & L505, 5/F., Airside, No.2 Concorde Road, Kai Tak, Kowloon, Hong Kong
“Airside Lease”	the lease dated 21 June 2023 entered into between Rich Union and Sino Smart in respect of the Airside Food Court
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 “Leases” which include standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is (are) independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associate(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China
“Rich Union”	Rich Union Development Limited (合裕發展有限公司), a company incorporated in Hong Kong with limited liability
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sino Smart”	Sino Smart Catering Limited (中穎餐飲有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

By order of the Board
Fulum Group Holdings Limited
Yeung Wai
Chairman and Executive Director

Hong Kong, 21 June 2023

As at the date of this announcement, the Board comprises Mr. Yeung Wai (Chairman), Mr. Yeung Ho Wang (CEO), Mr. Yeung Yun Kei, Mr. Leung Siu Sun, and Mr. Yeung Chun Nin as executive Directors; Mr. Wu Kam On Keith (Vice Chairman) as non-executive Director; and Mr. Ng Ngai Man Raymond, Mr. Wong Wai Leung Joseph and Mr. Chan Chun Bong Junbon as independent non-executive Directors.