

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LHGROUP

叙福樓集團

LH GROUP LIMITED

叙福樓集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1978)

**DISCLOSEABLE TRANSACTION IN RELATION TO
DISPOSAL OF THE ENTIRE ISSUED SHARES IN THE
DISPOSAL COMPANIES AND THE SALE LOANS IN RETURN
FOR CONSIDERATION SHARES IN AETNA INTERNATIONAL**

THE AGREEMENT

On 23 April 2019 (after trading hours of the Stock Exchange), LHG Chinese, a wholly-owned subsidiary of the Company, entered into the Agreement with Recreation Clubs and Aetna International pursuant to which LHG Chinese has conditionally agreed to sell and Recreation Clubs has conditionally agreed to acquire the Sale Shares and the Sale Loans at the Consideration of HK\$28,500,000. The Consideration shall be satisfied by Recreation Clubs procuring Aetna International to allot and issue 2 Consideration Shares, credited as fully paid, to LHG Chinese at Completion.

The Consideration Shares represent 2% of the issued shares of Aetna International as enlarged by the allotment and issue of the Consideration Shares immediately after Completion.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of (i) the Disposal; and (ii) the taking up of the Consideration Shares are more than 5% but less than 25%, each of (i) the Disposal; and (ii) the taking up of the Consideration Shares constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 23 April 2019 (after trading hours of the Stock Exchange), LHG Chinese, a wholly-owned subsidiary of the Company, entered into the Agreement with Recreation Clubs and Aetna International pursuant to which LHG Chinese has conditionally agreed to sell and Recreation Clubs has conditionally agreed to acquire the Sale Shares and the Sale Loans at the Consideration of HK\$28,500,000. The Consideration shall be satisfied by Recreation Clubs procuring Aetna International to allot and issue 2 Consideration Shares, credited as fully paid, to LHG Chinese at Completion. Details of the Agreement are set out below:

THE AGREEMENT

Date: 23 April 2019 (after trading hours of the Stock Exchange)

Parties: (1) LHG Chinese Catering Limited;

(2) Recreation Clubs Limited; and

(3) Aetna International Limited.

LHG Chinese is an investment holding company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.

Recreation Clubs is an investment holding company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Aetna International.

Aetna International is an investment holding company incorporated in the BVI with limited liability.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Recreation Clubs, Aetna International and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

Pursuant to the Agreement, LHG Chinese has conditionally agreed to sell and Recreation Clubs has conditionally agreed to acquire the Sale Shares and the Sale Loans. As at the date of this announcement, LHG Chinese beneficially owns the Sale Shares, representing the entire issued shares in the Disposal Companies, and the Sale Loans. As at 31 December 2018, the Sale Loans amounted to approximately HK\$20,831,000.

Consideration

The Consideration for the sale and purchase of the Sale Shares and the Sale Loans shall be the sum of HK\$28,500,000, which shall be satisfied by Recreation Clubs procuring Aetna International to allot and issue the Consideration Shares, credited as fully paid, to LHG Chinese at Completion.

The Consideration was determined after arms' length negotiations between the parties to the Agreement with reference to the preliminary valuation of the entire issued shares of the Disposal Companies of HK\$8,095,000 as at 31 March 2019 prepared by Asset Appraisal Limited, an independent valuer, under the market approach and the Sale Loans of approximately HK\$20,831,000.

Consideration Shares

The Consideration Shares represent 2% of the issued shares of Aetna International as enlarged by the allotment and issue of the Consideration Shares immediately after Completion.

The value of the Consideration Shares of HK\$28,500,000 was determined after arms' length negotiations between the parties to the Agreement with reference to (i) the preliminary valuation of 2% of the issued shares of Aetna International of approximately HK\$5,500,000 as at 31 March 2019 under the market approach and (ii) the preliminary valuation of the Put Option of approximately HK\$23,100,000 as at 30 April 2019, both of which were prepared by Asset Appraisal Limited.

Condition precedent

Completion is conditional upon and subject to LHG Chinese being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of Aetna International Group.

The condition above is capable of being waived by LHG Chinese in writing. If the condition has not been satisfied or waived (as the case may be) at or before 12:00 noon on 29 April 2019 (or such later date as LHG Chinese and Recreation Clubs may agree in writing), the Agreement shall cease and determine and thereafter neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Subject to the fulfillment or waiver (as the case may be) of the condition under the Agreement, Completion shall take place on the Completion Date.

Upon Completion, LHG Chinese will cease to hold any shares in the Disposal Companies. Hence, each of the Disposal Companies will cease to be a subsidiary of the Company and the financial results of the Disposal Companies will no longer be consolidated into the Group's financial statements.

Upon Completion, LHG Chinese will hold 2% of the issued shares of Aetna International as enlarged by the allotment and issue of the Consideration Shares immediately after Completion. Aetna International Group will be accounted for as equity investments and the financial results of Aetna International Group will not be consolidated into that of the Group.

Put Option

Subject to the events below, LHG Chinese shall have a right (i) to exercise the Put Option at the purchase price of HK\$23,500,000 from the Completion Date to 29 April 2022; and (ii) to exercise the Put Option at the purchase price of HK\$30,000,000 from 30 April 2022 to 29 April 2023. The Put Option shall expire on (i) 30 April 2023; or (ii) the date of the Listing (as defined below), whichever is earlier. LHG Chinese may exercise the Put Option by serving a notice in writing on Recreation Clubs.

In the event Aetna International or its holding company or subsidiary (the “**Substituted Listing Company**”) intends to submit the new listing application for the listing (the “**Listing**”) of its shares on the main board of the Stock Exchange, Aetna International shall serve a notice in writing to LHG Chinese 30 days prior to the date of the said listing application. LHG Chinese shall have a right to exercise the Put Option at the purchase price of HK\$30,000,000 from the date of the said notice to the date of submission of the relevant listing application.

In the event any step is taken by any party for the winding-up, liquidation, dissolution or bankruptcy of any of Aetna International, The Lifestyle Group Limited, ClubONE Limited, ClubONE (Park Island) Limited, ClubDining International Limited, Spotlight Enterprises Limited, ClubONE (Farm Road) Limited and Telford Recreation Club Limited, Aetna International shall forthwith serve a notice in writing (the “**Winding Up Notice**”) to LHG Chinese. LHG Chinese shall have a right to exercise the Put Option at the purchase price of HK\$30,000,000 from the date of the Winding Up Notice to 60 days after the Winding Up Notice.

Listing

LHG Chinese shall have the right to require Aetna International to exchange the Consideration Shares to the shares of the Substituted Listing Company (the “**Listing Company Shares**”) (i) during the reorganisation (“**Reorganisation**”) of Aetna International Group in preparation for the Listing; or (ii) upon Listing.

Aetna International undertakes to LHG Chinese that the market capitalisation of Aetna International or the Substituted Listing Company shall be not less than HK\$1,500,000,000 (the “**Minimum Market Capitalisation**”) immediately upon Listing. In the event that the market capitalisation of Aetna International or the Substituted Listing Company is less than the Minimum Market Capitalisation immediately upon Listing, then Aetna International shall pay to LHG Chinese in cash within 14 days after the date of Listing an amount calculated as follows:

$$A = (\text{HK\$1,500,000,000} - (B \times C)) \times 2\%$$

where,

- A is the amount payable by Aetna International to LHG Chinese
- B is the initial offer price per offer share of Aetna International or the Substituted Listing Company
- C is the total number of issued shares of Aetna International or the Substituted Listing Company on the date of Listing

Aetna International Undertakings

Subject to the undertakings below, Aetna International undertakes to LHG Chinese that the Consideration Shares held by LHG Chinese shall not be less than 2% of the issued shares of Aetna International or the Substituted Listing Company respectively immediately upon Listing.

Aetna International undertakes to LHG Chinese that the Consideration Shares or the Listing Company Shares held by LHG Chinese shall not be less than 2.66% of the issued shares of Aetna International or the Substituted Listing Company respectively immediately upon completion of the Reorganisation.

Aetna International undertakes to LHG Chinese that the Consideration Shares or the Listing Company Shares held by LHG Chinese shall not be less than 2% of the issued shares of Aetna International or the Substituted Listing Company respectively immediately upon Listing.

INFORMATION ON THE DISPOSAL COMPANIES

The Disposal Companies are established in Hong Kong with limited liability and are indirectly wholly-owned subsidiaries of the Company. The Disposal Companies are principally engaged in restaurant operation in Hong Kong.

Set out below is the financial information of Fameco HK for the two years ended 31 December 2018:

	For the year ended 31 December 2018 (<i>unaudited</i>) HK\$'000	For the year ended 31 December 2017 (<i>audited</i>) HK\$'000
Loss before taxation	(5,993)	(356)
Loss after taxation	(5,008)	(297)
Net assets (liabilities)	(745)	4,263

Set out below is the financial information of Banqueting House for the two years ended 31 December 2018:

	For the year ended 31 December 2018 (<i>unaudited</i>) HK\$'000	For the year ended 31 December 2017 (<i>audited</i>) HK\$'000
Profit before taxation	1,138	4,236
Profit after taxation	980	3,745
Net assets	13,121	20,541

Set out below is the financial information of China House for the two years ended 31 December 2018:

	For the year ended 31 December 2018 (<i>unaudited</i>) HK\$'000	For the year ended 31 December 2017 (<i>audited</i>) HK\$'000
Loss before taxation	(4,482)	(4,038)
Loss after taxation	(3,759)	(3,381)
Net liabilities	(13,356)	(9,597)

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Group is expected to record an unaudited gain on the Disposal of approximately HK\$8,649,000. Such gain is estimated based on the Consideration from the Disposal of HK\$28,500,000 minus the net liabilities of the Disposal Companies as at 31 December 2018 of approximately HK\$980,000 and the Sale Loan of approximately HK\$20,831,000.

INFORMATION ON AETNA INTERNATIONAL GROUP

Aetna International is an investment holding company incorporated in the BVI with limited liability. Aetna International is the beneficial owner of the entire issued shares of (i) The Lifestyle Group Limited, a company incorporated in Hong Kong with limited liability; and (ii) Recreation Clubs. Recreation Clubs is the beneficial owner of the entire issued shares of (i) ClubDining International Limited, a company incorporated in Hong Kong with limited liability; (ii) Telford Recreation Club Limited, a company incorporated in Hong Kong with limited liability; (iii) Spotlight Enterprises Limited, a company incorporated in Hong Kong with limited liability; (iv) Spotlight Children's Education Centre Limited, a company incorporated in Hong Kong with limited liability; (v) ClubWedding Group Limited, a company incorporated in Hong Kong with limited liability; (vi) ClubONE Limited, a company incorporated in Hong Kong with limited liability; (vii) ClubONE (Farm Road) Limited, a company incorporated in Hong Kong with limited liability; (viii) ClubONE (Park Island) Limited, a company incorporated in Hong Kong with limited liability; and (ix) Ocean Power Management Services Limited, a company incorporated in Hong Kong with limited liability.

Aetna International Group is principally engaged in (i) wedding banquet and dining services; (ii) property management and recreational clubs; and (iii) children's education services and currently has over 800 staff. With regards to its wedding banquet and dining services business, Aetna International Group aims at providing superior venues that are comparable to those in five-star hotels together with professional and personalized banquet services at reasonable prices for couples and corporations. In 2019, ClubONE Limited has a total of 17 venues for hosting wedding banquets and dining services.

For its property management and recreational clubs business, Aetna International Group is currently a contractor of the Leisure and Cultural Services Department for the management services of its sports centres and manages other Government venues. Aetna International Group also provides one-stop diversified recreation facilities, including indoor heated swimming pool, multi-purpose studios, gym room and sauna room as well as yoga, dance and spinning classes, at its private clubhouses in Hong Kong. For its children's education services, it has been providing various academic, sports, arts and adventure programs to more than 5,000 children aged 2–12 each year.

Based on the unaudited combined financial statements of Aetna International Group, Aetna International Group had profit before taxation and profit after taxation of approximately HK\$37,812,000 and approximately HK\$31,647,000 respectively for the year ended 31 December 2017. The net assets value of Aetna International Group as at 31 December 2017 was approximately HK\$238,679,000.

Based on the unaudited combined financial statements of Aetna International Group, Aetna International Group had profit before taxation and profit after taxation of approximately HK\$62,258,000 and approximately HK\$51,986,000 respectively for the year ended 31 December 2018. The net assets value of Aetna International Group as at 31 December 2018 was approximately HK\$290,664,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in the operation of restaurant chains and sales of food ingredients in Hong Kong.

The Directors considered that the Disposal, if materialise, represents a good opportunity for the Group to realise its investments in the Disposal Companies. It would also enable the Group to enter into a strategic cooperation with Aetna International Group and to leverage on their respective strength, resources and expertise for the development and expansion of their businesses.

In view of the above, the Directors consider that the entering into of the Agreement and the terms of the Disposal, including the Consideration and the taking up of the Consideration Shares, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of (i) the Disposal; and (ii) the taking up of the Consideration Shares are more than 5% but less than 25%, each of (i) the Disposal; and (ii) the taking up of the Consideration Shares constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Aetna International”	Aetna International Limited, a company incorporated in the BVI with limited liability
“Aetna International Group”	Aetna International and its subsidiaries
“Agreement”	the sale and purchase agreement dated 23 April 2019 and entered into among LHG Chinese, Recreation Clubs and Aetna International in relation to the Disposal
“Banqueting House”	The Banqueting House (TST) Co. Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Banqueting House Sale Shares”	12,000,000 ordinary shares of Banqueting House, representing the entire issued shares of Banqueting House
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands

“China House”	The China House (KF) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“China House Sale Loan”	all obligations, liabilities and debts owing or incurred by China House to LHG Chinese on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
“China House Sale Share”	one ordinary share of China House, representing the entire issued shares of China House
“Company”	LH Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	30 April 2019
“Consideration”	the aggregate consideration for the Disposal
“Consideration Shares”	an aggregate of 2 new ordinary shares of Aetna International to be allotted and issued by Aetna International to LHG Chinese, credited as fully paid, for the purpose of the settlement of the Consideration
“Directors”	directors of the Company
“Disposal”	the sale of the Sale Shares and the Sale Loans by LHG Chinese pursuant to the terms and conditions of the Agreement
“Disposal Companies”	Fameco HK, Banqueting House and China House
“Fameco HK”	Fameco (H.K.) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Fameco HK Sale Loan”	all obligations, liabilities and debts owing or incurred by Fameco HK to LHG Chinese on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
“Fameco HK Sale Shares”	1,000 ordinary shares of Fameco HK, representing the entire issued shares of Fameco HK
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“LHG Chinese”	LHG Chinese Catering Limited, a company incorporated in the BVI with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Put Option”	the option granted by Aetna International to LHG Chinese and exercisable at the discretion of LHG Chinese to require Aetna International to purchase all the Consideration Shares of LHG Chinese at the purchase price of HK\$23,500,000 or HK\$30,000,000 (as the case may be)
“Recreation Clubs”	Recreation Clubs Limited, a company incorporated in the BVI with limited liability
“Sale Loans”	Fameco HK Sale Loan and China House Sale Loan
“Sale Shares”	Fameco HK Sale Shares, Banqueting House Sale Shares and China House Sale Share

“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
LH Group Limited
Wong Kit Lung Simon JP
Chairman

Hong Kong, 23 April 2019

As at the date of this announcement, the Board comprises Mr. Wong Kit Lung Simon JP, Ms. Ko Sau Chee Grace and Mr. Ho Chi Wai as executive Directors, and Mr. Sin Yat Kin SBS, Ms. Hung Lo Shan Lusan and Mr. Hung Wai Man JP as independent non-executive Directors.