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L & A International Holdings Limited

樂亞國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8195)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 11 May 2020 (after trading hours), the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$33,250,000, which will be satisfied by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.135 per Consideration Share by the Company to the Vendor upon Completion.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

GEM LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As the Completion is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 11 May 2020 (after trading hours), the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$33,250,000, which will be satisfied by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.135 per Consideration Share by the Company to the Vendor upon Completion.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

11 May 2020 (after trading hours)

Parties

- (i) the Vendor (as vendor)
- (ii) the Purchaser (as purchaser); and
- (iii) the Company.

The Vendor is a merchant and has over 7 years of experience in provision of investment experience-sharing seminar business. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

The Sale Shares represent the entire issued share capital of the Target Company.

Consideration

The Consideration of HK\$33,250,000 will be satisfied by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.135 per Consideration Share by the Company to the Vendor upon Completion.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations among the Purchaser, the Company and the Vendor and was determined with reference to among others, (i) the preliminary valuation of 100% equity interest of the HK Subsidiary, being the operating entity of the Target Group of HK\$35,000,000 as at 29 April 2020 (the "**Valuation**") prepared by an independent valuer based on market approach; (ii) the Guaranteed Profits (as defined below) given by the Vendor; (iii) the business development and future prospects of the Target Group; and (iv) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

The Consideration represents a discount of 5% to the Valuation.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Profit guarantee and compensation

The Vendor irrevocably and unconditionally guarantees to the Purchaser that the audited consolidated net profit after tax of the Target Group for the year ending 31 March 2021 as shown on its audited consolidated financial statements to be prepared in accordance with HKFRS shall be no less than HK\$5,000,000 (the "**Guaranteed Profits**").

If the actual audited consolidated net profit after tax of the Target Group for the year ending 31 March 2021 as shown on its audited consolidated financial statements to be prepared in accordance with HKFRS (the "**Actual Profits**") shall be less than the Guaranteed Profits, the Vendor shall compensate the Purchaser with an amount in respect of the shortfall calculated according to the following formula (the "**Compensation Sum**"):

$$\text{Compensation Sum} = \frac{(\text{Guaranteed Profits} - \text{Actual Profits})}{\text{Guarantee Profits}} \times \text{Consideration}$$

For the avoidance of doubt, if the Actual Profits shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation Sum payable by the Vendor shall not exceed the amount of the Consideration.

The Actual Profits shall be determined based on the audited consolidated financial statements of the Target Group for the year ending 31 March 2021 which shall be prepared in accordance with HKFRS and reported on by the auditor nominated by the Purchaser within 3 months after the said period or any other date as agreed by the Vendor and the Purchaser.

The Compensation Sum shall be settled by the Vendor with the Purchaser by cash within seven (7) Business Days after the determination of the Actual Profits.

The Guaranteed Profits was arrived at after arm's length negotiations between the Parties with reference to (i) the profit-making record of the HK Subsidiary for the year ended 31 March 2020; and (ii) the business development and future prospect of the Target Group.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the completion of the due diligence review and investigation on the Target Group (which includes but not limited to, the legal and financial due diligence review) conducted by the Purchaser to its reasonable satisfaction;
- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (c) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Agreement and the transactions contemplated thereby having been obtained by the respective Parties (including but not limited to, the necessary consent from the Stock Exchange and banks); and
- (d) the representations, warranties and undertakings provided by the Vendor set out in the Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion.

As at the date of this announcement, no condition precedent has been fulfilled or waived. The Purchaser may waive the conditions precedent (a) and (d) at its discretion. If the conditions precedent have not been satisfied (or, as the case may be, waived by the Purchaser) on or before 2:00 p.m. on the Long Stop Date, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and the Agreement (other than the survival clause(s)) shall from the Long Stop Date, become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the Parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

Completion

Completion shall take place at 2:00 p.m. on the Completion Date after all the conditions of the Agreement have been fulfilled (or waived as the case may be) or such date as the Parties may agree in writing.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price of HK\$0.135 each, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a discount of approximately 6.3% to the closing price per Share of HK\$0.144 as quoted on the Stock Exchange on 11 May 2020, being the date of the Agreement;
- (ii) a premium of approximately 0.7% over the average closing price per Share of approximately HK\$0.134 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Agreement; and
- (iii) a discount of approximately 3.6% to the average closing price per Share of approximately HK\$0.140 as quoted on the Stock Exchange for the ten consecutive trading days immediately preceding the date of the Agreement.

The Issue Price was arrived at after arm's length negotiations among the Purchaser, the Company and the Vendor with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 19.2% of the number of issued Shares as at the date of this announcement and represent approximately 16.1% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the General Mandate on the Completion Date. As at the date of this announcement, no Share has been issued and allotted under the General Mandate. Accordingly, the issue of the Consideration Shares is within the limit of the General Mandate and is not subject to any approval by the Shareholders.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately upon Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approximately % (Note 2)	Number of Shares	Approximately % (Note 2)
Lau Lan Ying & Wong Kwan Mo (Note 1)	322,314,800	25.2	322,314,800	21.1
Ge Qingfu	128,266,200	10.0	128,266,200	8.4
Vendor	–	–	246,296,296	16.1
Public Shareholders	829,419,000	64.8	829,419,000	54.4
Total	1,280,000,000	100.0	1,526,296,296	100.0

Notes:

- 299,694,000 Shares are owned by Strong Light Investments Limited. Strong Light Investments Limited is a company incorporated in Hong Kong. The entire issued share capital of Strong Light Investments Limited is owned as to 50% by Lau Lan Ying and 50% by Wong Kwan Mo. Lau Lan Ying is the spouse of Wong Kwan Mo. As such, Lau Lan Ying is deemed to be interested in all the Shares owned by Strong Light Investments Limited and Wong Kwan Mo.
- Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability whose principal business activity is investment holding. The Target Group is principally engaged in provision of seminars on the UK property investment experience sharing (the “Seminars”) in Hong Kong, together with the provision of play-based learning activities to enhance the overall development for children aged from 6 to 14 years old in Hong Kong, through the operations of the HK Subsidiary.

The Seminars are designed to enhance customers' understanding of the UK property market and to establish connections with the UK real estate professionals and service providers. The Seminars cover discussion of both general and practical knowledge, skills, tools and resources for conducting property transactions in the UK property market. The speakers of the Seminars (the “**Speakers**”) are experts on the UK property investment industry who possess on average over 5 years of industry experience. The Speakers will share their experience in the UK property market and customers will also be offered to have site visit to UK so as to provide them with a perspective of the property industry in the UK. Moreover, as the Target Group has a strong business relationship with real estate professionals and service providers in the UK, such professionals could assist the customers in their investments in the UK property.

The Seminars target potential customers from diversified age groups from 25 to 60 years old who wish to enhance their knowledge for property investment in the UK market. Since the Target Group commenced the offering of the Seminars in December 2018 and up to 31 March 2020, the Target Group has enrolled over 2,400 customers in the Seminars.

The Target Group also provides play-based learning activities (the “**Activities**”) to enhance the overall development for children aged from 6 to 14 years old in Hong Kong. The Activities aim at developing in the children various skills of learning, thinking and socialising, such as nurturing sound financial judgement and behavior of children, through interesting and instructive games.

The Seminars and Activities are generally held at the venues of the Target Group in Tsim Sha Tsui. The customers will generally prepay their participation fee for the Seminars and Activities.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the financial information of the HK Subsidiary, being the operating entity of the Target Group for the two financial years ended 31 March 2019 and 31 March 2020:

	For the year ended 31 March 2020 (audited) <i>HK\$'000</i>	For the year ended 31 March 2019 (audited) <i>HK\$'000</i>
Revenue	4,254	778
Net profit/(loss) before taxation	3,572	(50)
Net profit/(loss) after taxation	3,195	(50)

According to the audited financial information of the HK Subsidiary, it recorded net assets of approximately HK\$13,000 as at 31 March 2020.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (i) the manufacturing and sales of OEM garment products; (ii) retailing and wholesaling of garment products under the Group's own brand; (iii) provision of loan services; (iv) wholesaling of seafood; (v) provision of financial quotient and investment education courses (the “**Business**”); and (vi) property investment.

The Group commenced the Business in the second quarter of 2019. It provides financial quotient and investment education courses for customers to enhance their knowledge in the areas of finance and investment. As disclosed in the third quarterly report of the Company for the nine months ended 31 December 2019, the Group generated segment profit from the Business. In view of the positive performance of the Business, the Group intends to (i) invest resources to expand the share in the financial quotient and investment education market; and (ii) strive to broaden its customer base.

The Target Group mainly generates revenue through the HK Subsidiary by providing the Seminars as supplemented by the Activities. The Seminars aim at enabling the customers to gain insight into the UK property investment industry and to establish connections with the UK real estate professionals and service providers such as real estate agents, mortgage brokers, architect and planning consultant etc. The HK Subsidiary possesses a large customer base from different age groups and diverse backgrounds and an extensive network of experienced experts and professionals in the UK property investment industry. The HK Subsidiary also offers the Activities which cater for children from 6 to 14 years old with the view to enhancing the overall development of the children.

Despite that the HK Subsidiary recorded net loss for the year ended 31 March 2019, it recorded net profit for the year ended 31 March 2020 since it commenced the offering of the Seminars in December 2018. Following the launch of the Seminars, revenue of the HK Subsidiary amounted to approximately HK\$4.3 million for the year ended 31 March 2020, which represented a rise of over 4 times as compared with that of approximately HK\$0.8 million for the year ended 31 March 2019. Moreover, after taken into account the business plan of the Target Group (the “**Business Plan**”), the Directors consider that there is development potential of the Target Group.

According to the Business Plan, the Target Group intends to devote extra sales and marketing effort and launch online sharing platform (the “**Platform**”) in order to (i) expand customer base; (ii) broaden source of income; and (iii) increase public awareness of its market presence.

The Target Group recently has invited social media influencers (the “**Influencers**”), who have access to an average of over 80,000 audiences, to promote the Seminars through advertising campaigns on the social media platforms of the Influencers. The cooperation with the Influencers would enable the Target Group to leverage on the large audiences of the Influencers to expand the customer base and to reach potential customers of the Target Group. In addition, the Target Group intends to join overseas property tradeshows and overseas school tradeshows in Hong Kong in order to increase the visibility and awareness of the Target Group.

With a view to diversifying the customer base of the Target Group, the Target Group has launched the Platform in April 2020. The speakers of the Platform would share their experience on different topics from that discussed in the Seminars, such as foreign exchange trading. The Platform would enable the Target Group to create cross-selling opportunities with the Seminars and broaden source of income by expanding its service coverage.

The Directors consider that the Acquisition represents an opportunity for the Group to expand its Business and align with the future development strategies of the Group as well as enhance the Group's long-term development potential.

In addition, the Guaranteed Profits and the compensation mechanism will effectively reduce the Consideration in the event of shortfall in the Guaranteed Profits. As such, it provides extra protection to the Group regarding the risk of the Target Group not sustaining its initial performance and growth.

Base on the foregoing, the Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 11 May 2020 entered into among the Purchaser, the Company and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours

“BVI”	the British Virgin Islands
“Company”	L & A International Holdings Limited 樂亞國際控股有限公司, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (Stock Code: 8195)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Agreement
“Completion Date”	the third Business Day after the date of fulfillment (or waiver) of all the conditions precedent as set out in the Agreement or such other date (being a Business Day) as the Parties may mutually agree in writing
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$33,250,000
“Consideration Shares”	246,296,296 new Shares to be issued to the Vendor at an issue price of HK\$0.135 per new Share for full settlement of the Consideration
“Director(s)”	the director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 30 September 2019. Under this general mandate, the Directors are allowed to allot and issue up to 256,000,000 Shares. As at the date of this announcement, no Share has been issued and allotted under the General Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

“HK Subsidiary”	Be Wise Kid Education Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company, being the operating entity of the Target Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Issue Price”	HK\$0.135 per Consideration Share
“Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“Long Stop Date”	30 June 2020 or such later date as the Parties may agree in writing
“Parties”	the parties of the Agreement and “Party” means any of them
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Able Glorious Limited, a company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of the Company
“Sale Shares”	100 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) with par value of HK\$0.04 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
“Target Company”	Bewisekid Holding Limited, a company incorporated in the BVI with limited liability, which is wholly owned by the Vendor immediately prior to Completion
“Target Group”	the Target Company and the HK Subsidiary

“UK”	United Kingdom
“Vendor”	Mr. Poon Chi Ming, a merchant who owned the Sale Shares immediately prior to the Completion
“%”	per cent.

By Order of the Board
L & A International Holdings Limited
Wang Tsz Yue
Executive Director

Hong Kong, 11 May 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Lau Chun Kavan, Ms. Wang Tsz Yue and Mr. Yuen Yu Sum and three independent non-executive Directors, namely, Mr. Chan Pak Qiu, Mr. Chan Kim Fai Eddie and Mr. Ng Chi Ho Dennis.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.lna.com.hk>.