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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 PROMISSORY NOTE**

THE ACQUISITION

The Board is pleased to announce that on 17 August 2020 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares at the Consideration of HK\$40,000,000, which has been satisfied by the issue of the Promissory Note upon Completion.

Completion has taken place simultaneously upon the signing of the Agreement on 17 August 2020, upon which, the Target Company has become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

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.

INTRODUCTION

The Board is pleased to announce that on 17 August 2020 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares at the Consideration of HK\$40,000,000, which has been satisfied by the issue of the Promissory Note upon Completion.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

17 August 2020 (after trading hours)

Parties

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

The Vendor is a merchant and has over 5 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, representing the entire issued share capital of the Target Company.

Consideration

The Consideration of HK\$40,000,000, which has been satisfied by the issue of the Promissory Note upon Completion.

Further details of the Promissory Note are set out in the section headed “Promissory Note” below.

The Consideration was arrived at based on normal commercial terms after arm’s length negotiations between the Purchaser and the Vendor and was determined with reference to among others, (i) the valuation of 100% equity interest of the HK Subsidiary, being the operating entity of the Target Group of HK\$45 million as at 27 July 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 approximately 11.1% 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 net profit after tax of the HK Subsidiary for the year ending 31 March 2021 as shown on its audited financial statements to be prepared in accordance with HKFRS shall be no less than HK\$6,000,000 (the “**Guaranteed Profits**”).

If the actual audited net profit after tax of the HK Subsidiary for the year ending 31 March 2021 as shown on its audited 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**”):

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

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 according to the audited financial statements of the HK Subsidiary 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 way of set off against the Promissory Note within 14 Business Days after the determination of the Actual Profits. For the avoidance of doubt, no interest shall accrue or payable to the holder of the Promissory Note in respect of any amount under the Promissory Note being set off and all such interests of the remaining amount of the Promissory Note, if any, will only be accrued upon the full settlement of all relevant amount payable by the Vendor (the “**PN Interest Arrangement**”).

The Guaranteed Profits was arrived at after arm’s length negotiations between the Parties with reference to (i) the profit-making records of the HK Subsidiary for the financial year ended 31 March 2020 and three months ended 30 June 2020; and (ii) the business development and future prospect of the HK Subsidiary.

Completion

Completion has taken place simultaneously upon signing of the Agreement.

Upon Completion, the Target Company has become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

Promissory Note

Pursuant to the terms and conditions of the Agreement, the Purchaser has issued the Promissory Note in the principal amount of HK\$40,000,000 upon Completion on the following principal terms:

Issuer	: the Purchaser
Principal amount	: HK\$40,000,000
Issue date	: 17 August 2020
Interest	: 5% per annum from the date of issue of the Promissory Note, subject to the PN Interest Arrangement (as applicable) set out under the subsection headed “Profit guarantee and compensation” above
Maturity	: 2 years from the date of issue of the Promissory Note (the “ Maturity Date ”)
Repayment	: due and repayable on the Maturity Date
Transferability	: the Promissory Note may only be transferable and assignable by the Parties to any party with prior written approval of the Parties
Early repayment	: the Purchaser may pay to the Vendor prior to the Maturity Date any outstanding principal amount (together with the accrued interests) of the Promissory Note

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 financial quotient and securities investment experience-sharing seminars (the “**Seminars**”) and relevant value-added services in Hong Kong, together with the provision of activities introducing memory improvement and speed-reading technique, through the operation of the HK Subsidiary. The revenue of the HK Subsidiary is primarily contributed by the Seminars and the Loyalty Programs (as defined below).

The Seminars being held by the HK Subsidiary are dedicated to shed light on the Hong Kong securities market and to enhance the fundamental knowledge of the customers on technical analysis of securities investment. The customers will generally prepay their participation fees for the Seminars. The Seminars cover discussions of both general and practical knowledge for evaluating and establishing securities investment portfolio. The speakers of the Seminars (the “**Speakers**”) are seasoned investors and experts in the securities market. The Speakers will share their experiences on the securities trading planning and strategies. The HK Subsidiary offers both in-person and online Seminars.

The customers who have completed the Seminars are eligible to join the annual loyalty programs (the “**Loyalty Programs**”). The customers of the Loyalty Programs (the “**Loyal Customers**”) would pay an upfront annual fee and could enjoy the included services and activities during the Loyalty Programs period. The included services and activities of the Loyalty Programs, including but not limited to, the meetings that the HK Subsidiary organizes regularly for the Loyal Customers to exchange ideas on investing in the securities market with each other or with other experienced investors. Also, the HK Subsidiary would closely communicate with the Loyal Customers to help them keep abreast of the securities market trend.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the financial information of the HK Subsidiary, being the operating entity of the Target Group from 27 March 2018 (date of incorporation) to 31 March 2019 and financial year ended 31 March 2020:

	For the year ended 31 March 2020 (audited) HK\$'000	For the period from 27 March 2018 (date of incorporation) to 31 March 2019 (audited) HK\$'000
Revenue	8,791	–
Net profit/(loss) before taxation	4,169	(24)
Net profit/(loss) after taxation	3,669	(24)

According to the unaudited financial information of the HK Subsidiary, it recorded net assets of approximately HK\$7.1 million as at 30 June 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.

During the financial year ended 31 March 2020, the Group has started to engage in the Business. It provides financial quotient and investment education courses for the customers, aiming at enhancing their knowledge in the areas of finance and investment. As disclosed in the annual report of the Company for the year ended 31 March 2020, certain courses were completed with inspiring achievements and revenue of approximately HK\$0.3 million was generated during the financial year ended 31 March 2020. 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 operations of the HK Subsidiary. The HK Subsidiary committed to deliver high quality financial quotient and investment experience-sharing seminars and relevant value-added services in Hong Kong. The Speakers in general possess over eight years of industry experience and have in-depth understanding of the Hong Kong securities market. Through the extensive network of experienced experts and professionals in the securities investment industry, the HK Subsidiary is able to provide the customers with high-quality Seminars and relevant value-added services, thereby enhancing customers' overall satisfaction towards the HK Subsidiary.

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 enhancing the Group's long-term development potential.

The HK Subsidiary has leveraged on remarkable marketing and sales strategies through internet and through word-of-mouth referrals by customers to promote its brand and to attract customers to participant in the Seminars and the Loyalty Programs. Benefiting from the effective marketing strategies and established brand recognition, the HK Subsidiary recorded net profit of approximately HK\$3.7 million and revenue of approximately HK\$8.8 million for the financial year ended 31 March 2020 respectively since its commencement of offering the Seminars and the Loyalty Programs in September 2019.

According to the management accounts of the HK Subsidiary for the three months ended 30 June 2020, the net profits of the HK Subsidiary registered approximately HK\$3.4 million (the “**Actual 1Q Profits**”) and represented approximately 56.7% of the Guaranteed Profits. Based on the Guaranteed Profits, the theoretical net profits of the HK Subsidiary for the three months ended 30 June 2020 estimated on a pro-rata basis would be HK\$1.5 million (the “**Theoretical 1Q Profits**”). The Actual 1Q Profits exceed the Theoretical 1Q Profits by approximately 126.7%. As such, the Board considers that the outbreak of the novel coronavirus in Hong Kong since January 2020 does not cause adverse impact to the financial position of the Target Group and the Guaranteed Profits shall be achievable.

The Guaranteed Profits is offered by the Vendor which demonstrated the Vendor's confidence on the prospects of the Target Group and is in favour of the Company. 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.

Based 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 acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 17 August 2020 entered into between the Purchaser 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 date of the Agreement, being 17 August 2020
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$40,000,000
“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
“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”	Freemaker Institute 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 People’s Republic of China
“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)
“Parties”	the parties of the Agreement and “Party” means any of them
“Promissory Note”	the promissory note in the principal amount of HK\$40,000,000 to be issued by the Purchaser in favour of the Vendor as the Consideration
“Purchaser”	Able Glorious Limited, a company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of the Company
“Sale Shares”	1,000 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”	Zone Galaxy 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
“Vendor”	Mr. Lam Yat Nam, an Independent Third Party, 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, 17 August 2020

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Lau Chun Kavan, Ms. Wang Tsz Yue, Mr. Yuen Yu Sum and Mr. Chan Lap Jin Kevin 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>.