THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in L & A International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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)

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 70% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF PROMISSORY NOTE; (II) RE-ELECTION OF DIRECTOR; AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AKRON
Akron Corporate Finance Limited
亚贝隆资本有限公司

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

RAINBOW.
RAINBOW CAPITAL (HK) LIMITED
浤 博 資 本 有 限 公 司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A notice convening the EGM to be held at 5/F, World Interests Building, 8 Tsun Yip Lane, Kwun Tong, Kowloon, Hong Kong on Wednesday, 31 March 2021 at 12:30 p.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use by the shareholders of the Company at the EGM is enclosed herein.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven (7) days from the date of its publication and on the website of the Company at http://www.lna.com.hk.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the attendees who will attend the EGM and to prevent the spreading of the coronavirus (COVID-19) pandemic, the following measures will be implemented at the EGM:

- mandatory body temperature check;
- seating at the EGM venue will be arranged so as to allow for appropriate social distancing;
- mandatory wearing of surgical face masks; and
- no refreshments nor corporate gift for attendees

The Company reserves the right to deny entry into the EGM venue if such person: (i) refuses to comply with any of the above precautionary measures; (ii) is subject to any Hong Kong Government prescribed quarantine; (iii) is having a body temperature of over 37.4 degree Celsius; and/or (iv) has any flu-like symptoms.

For the health and safety of shareholders of the Company, the Company would like to encourage shareholders of the Company to appoint the chairman of the EGM as their proxy to vote on the proposed resolution at the EGM, instead of attending the EGM in person.

Subject to the development of COVID-19, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the Company's website for further announcements and updates on the EGM arrangements.

15 March 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"Acquisition"	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 27 October 2020 (as amended by the supplemental agreement dated 30 December 2020) entered into between the Purchaser and the Vendor in relation to the Acquisition
"Applicable Laws"	in respect of any person, any laws, rules, regulations, directives, decrees, treaties, or orders of any authority (including but not limited to the GEM Listing Rules), that are applicable to and binding on such person
"Articles"	the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders
"Assumed Liabilities"	the aggregate amount for which the Vendor is indebted to the Target Group to be assumed by the Purchaser as part of the Consideration upon Completion, the outstanding amount is HK$29,000,000 as at the Latest Practicable Date
"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
"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 Acquisition 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 set out in the Agreement
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules

"Consideration"	the consideration for the Acquisition, being HK$80,000,000
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 5/F, World Interests Building, 8 Tsun Yip Lane, Kwun Tong, Kowloon, Hong Kong on Wednesday, 31 March 2021 at 12:30 p.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving (i) the Agreement and the transactions contemplated thereunder; and (ii) the re-election of the Director
"Enlarged Group"	the Group upon Completion, together with the Target Group
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the rules governing the listing of securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Acquisition
"Independent Financial Adviser"/ "Rainbow Capital"	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and transactions contemplated thereunder

"Independent Shareholders"	Shareholder(s) who are entitled to vote and not required to abstain from voting on the resolution at the EGM for approving the Agreement and the transactions contemplated thereunder
"Latest Practicable Date"	11 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Long Stop Date"	31 March 2021 or such later date as the Vendor and the Purchaser may agree in writing
"MOU"	the memorandum of understanding entered into between the Vendor and the Purchaser on 14 August 2020 in relation to the possible acquisition of the Sale Shares
"Options"	the options granted under the share option scheme approved and adopted by the Company on 25 September 2014 to subscribe for Shares in accordance with the terms thereof
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Previous Acquisition"	the acquisition of 30% of the issued share capital of the Target Company by the Purchaser, the details of which are set out in the announcement of the Company dated 8 October 2019
"Promissory Note"	the promissory note in the principal amount of HK$41,000,000 to be issued by the Purchaser in favour of the Vendor as part of the Consideration
"Purchaser"	Able Glorious Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
"Sale Shares"	700 ordinary shares of the Target Company, representing 70% of the issued share capital of the Target Company
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) with par value of HK$0.0001 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"	Prestige Concord Limited, a company incorporated in the British Virgin Islands with limited liability
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Mr. Yuen Yu Sum, an executive Director and the beneficial owner of 70% of the issued share capital of the Target Company immediately prior to Completion
"YH"	YH Group 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
"2019 Guaranteed Profits"	pursuant to the agreement of the Previous Acquisition, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited consolidated net profit after tax of the Target Group for the year ending 31 December 2019 as shown on its audited consolidated financial statements to be prepared in accordance with HKFRS shall be no less than HK$9,000,000, the details of which are set out in the announcement of the Company dated 8 October 2019
"%"	per cent.

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)

Executive Director:
Mr. Lau Chun Kavan
Mr. Yuen Yu Sum
Mr. Chan Lap Jin Kevin

Independent Non-executive Directors:
Mr. Chung Chin Kwan
Mr. Chan Kim Fai Eddie
Mr. Ng Chi Ho Dennis

Registered office:
Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit No. D, 5th Floor
Wing Hong Centre
No. 18 Wing Hong Street, Kowloon
Hong Kong

15 March 2021

To the Shareholders

Dear Sir or Madam,

(I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 70% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF PROMISSORY NOTE; (II) RE-ELECTION OF DIRECTOR; AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company (i) dated 8 October 2019 in relation to the Previous Acquisition; (ii) dated 14 August 2020 regarding the MOU; and (iii) dated 27 October 2020, 11 December 2020, 30 December 2020 and 26 February 2021 in relation to the Acquisition.

On 27 October 2020 (after trading hours), the Purchaser 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, representing the remaining 70% of the issued share capital of the Target Company, at the Consideration of HK$80,000,000. The Consideration will be satisfied (i) as to HK$41,000,000 by the issue of the Promissory Note by the Purchaser to the Vendor; (ii) as to HK$29,000,000 by the assumption of the Assumed Liabilities by the Purchaser; and (iii) as to HK$10,000,000 by cash, upon Completion.

The Assumed Liabilities is the amount due from a shareholder of the Target Group (i.e. the Vendor) and is unsecured, interest-free and repayable on demand. The balance of the Assumed Liabilities is not subject to further changes from the date of Agreement to the Completion Date. As such, the Consideration is not subject to change.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition; (ii) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and transactions contemplated thereunder; (iv) accountants' reports on the Target Group; (v) unaudited pro forma financial information of the Enlarged Group; (vi) a valuation report of the Target Group; (vii) a valuation report on the Property (as defined below); (viii) details of the Director proposed to be re-elected at the EGM; and (ix) a notice of the EGM.

THE AGREEMENT

The principal terms of the Agreement are set out as below:

Date

27 October 2020 (after trading hours)

Parties

(i) the Vendor; and

(ii) the Purchaser (collectively, the "**Parties**")

The Vendor is a merchant and experienced in provision of financial quotient and investment experience-sharing seminars business. As at the Latest Practicable Date, the Vendor is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Assets acquired

The Sale Shares, representing 70% of the issued share capital of the Target Company.

Consideration

Pursuant to the Agreement, the Consideration of HK$80,000,000 shall be paid and satisfied upon Completion in the following manner:

(a) as to HK$41,000,000 by the issue of the Promissory Note by the Purchaser to the Vendor;

(b) as to HK$29,000,000, being the aggregate amount of the Assumed Liabilities, which will be assumed by the Purchaser upon Completion; and

(c) as to HK$10,000,000 by cash.

Further details of the Promissory Note are set out in the section headed "The 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 preliminary valuation of 70% equity interest of YH of HK$84.2 million as at 2 September 2020 prepared by an independent valuer (the "**Valuer**") based on market approach; (ii) the profit-making financial and operating performance of YH for the three years ended 31 December 2017, 2018 and 2019; (iii) the Guaranteed Profits (as defined below) given by the Vendor; (iv) the business development and future prospects of the Target Group; and (v) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

As disclosed in the Appendix V to this circular, valuation of 70% equity interest of YH as at 31 December 2020 remains at HK$84.2 million (the "**Valuation**").

The Valuer is appointed by the Company. The Directors have accessed the competence and independence of the Valuer before engaging the Valuer. The Board noted that (i) the Valuer is an experienced advisory and valuation firm in Hong Kong based on its track records; and (ii) the person in charge of the appraisal has over 10 years of experience in business and financial valuation and business consulting in Hong Kong and the PRC. As disclosed in the section headed "Experts and Consents" of Appendix VII to this circular, as at the Latest Practicable Date, the Valuer has no shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group. To the best knowledge of the Directors and having made all reasonable enquiries, the Valuer is independent from the Group, the Vendor, the Target

Group and their respective beneficial owners and close associates. Based on the above, the Directors believe that the Valuer possesses sufficient qualification and experience and is independent in performing the appraisal of the Target Group.

The Directors have reviewed the Valuation and discussed with the Valuer for the methodology used for the Valuation. It is understood by the Board from the Valuer that among the different valuation approaches, the market approach was considered to be the most appropriate valuation approach in the Valuation as it requires far fewer subjective assumptions than the income approach. In addition, compared to the asset-based approach, the market approach is more likely to reflect the current market expectations over the corresponding industry since the price multiples of the comparable companies were arrived from market consensus and capture the future growth potentials of the Target Group. Under the market approach, the guideline public company method was adopted.

The Directors have also reviewed and discussed with the Valuer the assumptions used for the Valuation and the approaches and basis of computation used by the Valuer and the approaches, assumptions, and bases in selecting the comparable companies. It is understood by the Board from the Valuer that for the purpose of preparing the Valuation under the adopted market approach, to the best of the Valuer's knowledge, effort and endeavour, the Valuer has identified some comparable companies, the selection criteria of the comparable companies are stated in the section headed "9.1. Comparable Companies" on P.V-7 to the circular. Besides, in preparing the Valuation, the Valuer has adopted major assumptions which are stated in the section headed "11. Major Assumptions" on P.V-14 to the circular.

The Valuation was arrived at (i) by multiplying the Guaranteed Profits by the median forward price-to-earnings ratio of the comparable companies as at 31 December 2020; and (ii) after adjustments in respect of control premium and marketability discount.

The Valuer has selected price-to-earnings ratio ("**PER**") as the most relevant multiple being adopted in the Valuation. The Directors have discussed with the Valuer and the Directors are given to understand that the use of PER is a commonly adopted method for evaluating asset-light and profit-making companies. The Board has enquired into and the Valuer explained that in selecting the appropriate multiples to be adopted in the valuation analysis, the Valuer has considered price-to-book ratio ("**PBR**") and price-to-sales ratio ("**PSR**"), being two of the commonly used benchmarks for valuation of companies. Given that the nature of the business operations of the Target Group is not capital intensive, and the value of the Target Group lies in its profits generating ability rather than in the value of its assets, the Board is advised by the Valuer that PBR is not an appropriate valuation multiple. The PSR is either not applicable as it ignores the cost structure of a company and hence cannot reflect the profitability of a company. As advised by the Valuer, the Board is made known that if valuation parameters comprise of the earnings of the target company over a coming period of time, the corresponding market multiple should be the forward price-to-earnings ratio. The forward price-to-earnings ratios of the comparable companies have been adjusted by a specific size premium in view of the different sizes and different risk profiles of the Target Group and the comparable companies.

With respect to the use of the Guaranteed Profits, the Directors consider that the major purpose of the Acquisition is for the Company to capture the future earning capacity of the Target Group. Furthermore, according to the Valuer, it is not uncommon to use guaranteed profits in price-to-earnings calculation if the future earning capacity of a company is one of the key determining factors of its value, and in this context, instead of referring to the operating history of the Target Group, using the Guaranteed Profits as a parameter would better reflect the true market value of the Target Group.

The Guaranteed Profits is estimated by the management of the Target Group with reference to the estimated number of customers and estimated membership package fee and participation fee after taking into account the historical enrollment rate. The Company and the management of the Target Group have also made reference to the financial information of YH for the years ended 31 December 2018 and 2019 and nine months ended 30 September 2020 (the latest financial information of YH being prepared before entering into the Agreement on 27 October 2020) to estimate the Guaranteed Profits. The Guaranteed Profits of HK$17.0 million represents a growth of approximately 56.0% as compared with the net profit for the year ended 31 December 2019.

YH, being the operating entity of the Target Group, recorded (i) revenue of approximately HK$11.4 million and HK$29.0 million for the two financial years ended 31 December 2018 and 2019 respectively, which represented a growth of approximately 1.5 times in 2019; and (ii) net profit after tax of approximately HK$4.2 million and HK$10.9 million for the two financial years ended 31 December 2018 and 2019 respectively, represented a growth of approximately 1.5 times in 2019. Following the revenue and profit growth in 2019, in the first three quarters in 2020, YH has continued to achieve quarter-on-quarter profit growth and the aggregate number of customers has already expanded by over 1.5 times as at 30 September 2020 as compared with 30 September 2018 as discussed under the section headed "Profit guarantee and compensation" on page 14 of this circular below. In this connection, the Directors considered that the Target Group will experience potential growth. In addition, the Board noted that YH recorded the net profits of approximately HK$13.4 million for the nine months ended 30 September 2020 which have already exceeded the full year net profits of YH of approximately HK$10.9 million for the year ended 31 December 2019 and demonstrated a premium of approximately 22.9%.

Prior to the entering into of the Agreement, given that (i) YH has been experiencing improving performance from both financial and operational aspects in recent years since 2018 as discussed above; (ii) YH recorded a substantial increase in net profit for the year ended 31 December 2019; and (iii) net profit of YH for the nine months ended 30 September 2020 (the latest available financial information of YH prior to the entering into of the Agreement) already outperformed YH's full year net profit for the year ended 31 December 2019, the Directors consider that the historical financial performance and past profit level of the YH cannot reflect its latest performance and growth potential and the Guaranteed Profits would better reflect its future earning potential.

Furthermore, subsequent to the date of the Agreement, based on the management accounts of YH for the year ended 31 December 2020, YH recorded unaudited net profit of approximately HK$19.6 million for the year ended 31 December 2020, represented substantial growth of approximately 79.8% as compared with that last year.

As advised by the Valuer, the Board notices that there are no listed companies which operate businesses which are exactly the same as that of the Target Group. As a result, the Valuer has selected the most similar market comparables on a best-effort basis. It is understood by the Board from the Valuer that (i) each education service provider has its unique service scope and no two companies are ever exactly alike; and (ii) it is common practice for selecting the comparable companies on a "best efforts" basis, and there is a valuation limitation that "true"/ identical comparable companies are unlikely to exist.

The Directors have discussed with the Valuer regarding the selection of comparable companies and are given to understand that the comparable companies were selected mainly with reference to the following selection criteria: (i) the companies are principally engaged in provision of higher education services; (ii) the companies are operated in China or Hong Kong and publicly listed in Hong Kong; and (iii) sufficiency of information (such as listing and operating histories and availability of the financial information to the public). In assessing the reasonable and appropriateness of the comparables companies, the Board has taken into consideration of the following:

BUSINESS MODELS

Academic Recognition: The Board noted that the comparable companies are the school operators that offer higher education, which is an optional final stage of learning that occurs after secondary education, which is often delivered at universities, academies, colleges, seminaries and institutes of technologies and the academic certificate (e.g. degree) awarded to the graduates.

The Seminars offered by Target Group aim to equip the customers with knowledge and skills required to effectively manage their investment and wealth and no academic certificate will be awarded.

It is understood by the Valuer of the following matters, namely (i) target customers of both the Target Group and the comparable companies are adult customers who have specific study target and would like to enhance their knowledge; and (ii) both the target customers will be equipped with knowledge and skills after attending the Seminars/programmes, the business nature of the Target Group and the comparable companies are similar. Based on the foregoing, the Board concurs with the view of the Valuer that the comparable companies are comparable to the Target Group.

Income Source: The revenue of the Target Group is contributed by the membership package fee and participation fee for the Seminars and the Discussion Meeting provided by the Target Group. The membership package will generally last for twelve months and the validity period of the Discussion Meeting will last for three months and the customers will generally make upfront payment for fees. The customers can choose to attend twelve Seminars which they are interested in after making payment. As advised by the Valuer, similar to the Target Group, the revenue of the comparable companies is contributed by the tuition fee, which the customers paid in advance. In addition, the membership package fee of the Target Group and the tuition fee of the comparable companies are both primarily determined based on the quality and demand for the educational programs, the costs of operations, the tuition fees charged by competitors, pricing strategy to gain market share and general economic conditions. As mentioned above, the Board concurred with the Valuer's view that the comparable companies are comparable to the Target Group.

Roles of the Target Group: The Target Group held over 150 Seminars throughout the year and also offers one-on-one Discussion Meeting to those customers who have finished the Seminars. The role of the Target Group is not merely promotion and marketing, but it is principally engaged in provision of financial quotient and investment experience-sharing seminars in Hong Kong for diversified age groups from 25 to 60 years old.

Taking into account that the main service of the Target Group is imparting knowledge to their customers, the Valuer considers that the companies providing the education service are considered as comparable, instead of the companies engaged in promotion and marketing.

Taking into account that (i) the main service of the Target Group and the comparable companies are both imparting knowledge to their customers; (ii) target customers of both the Target Group and the comparable companies are adult customers who have specific study targets and would like to enhance their knowledge; and (iii) both the target customers will be equipped with knowledge and skills after attending the Seminars/programmes, the Valuer considers that the business nature of the Target Group and the comparable companies are similar and the comparable companies and the Target Group are both operating in the education industry focusing on adult. In view of the above, the Directors consider that the comparable companies are comparable to the Target Group.

Employment Relationship: The Board noted that being school operators, most of the staff of the comparable companies are under the employment contract while most of speakers are not employed by the Target Group. To having greater flexibility to arrange a wide variety of topics and up-to-date Seminars, the Target Group has been adopting the strategy in inviting different speakers from time to time based on their experience and qualifications in the relevant topics instead of engaging speakers as permanent staffs since the commencement of business in 2017.

The Board is advised by the Valuer that the speakers/tutors are providing the service for the seminars/courses by their knowledge, the capacity of the speakers/tutors (i.e. whether as employee or as service provider) are irrelevant to the quality of the seminars/courses. Therefore, even though the capacity of the speakers/tutors are different between the Target Group and the school operators, the Board concurred with the Valuer's view that the comparable companies are comparable to the Target Group.

School Premise and Regulations: The Board noted that the Target Group does not own any school premise and it is not governed by the Education Ordinance (Cap.279) while the comparable companies own school premise and are governed by the Higher Education Law of the PRC (《中華人民共和國高等教育法》).

It is noted from the Valuer that whether the school premise has been obtained are irrelevant. The main important issues for the education provider is the quality of service provided, especially for the Target Group which mainly relies on word-of mouth referrals. The Board is given to understand from the Valuer that, the aforesaid do not have material impact for the valuation as they are both operating in the education industry. As such, the Board concurred with the Valuer's view that the comparable companies could be considered as comparable.

SCALE OF OPERATION

Number of Staff and Customers: The total number of membership packages that have been subscribed by the customers of the Target Group for the year ended 31 December 2018, 2019 and 2020 were 323, 566 and 458 respectively. Also, the Target Group entered into employment contracts with some of the Speakers while some of the Speakers were invited in hourly basis, which is not a full-time employment. Since January 2018, the Target Group has engaged six Speakers and only two of them have entered into employment contracts with the Target Group.

The Board notes that there are over 10,000 customers taking the course and over 100 full-time staff in each of comparable companies, the number of customers of the comparable companies is much greater than the Target Group.

It is understood by the Board from the Valuer that the scale of operation of the comparable companies has been reflected on their market capitalization. As advised by the Valuer, taking into account that the size difference between the Target Group and the comparable companies, relative adjustment by specific size premium has been made and the adjusted forward price-to-earnings multiples are applied. Besides, as advised by the Valuer, the median of the profit margin of comparable companies is 36% in financial year 2019/2020, while the Target Group has respective profit margin of 45% and 50% for the financial year 2019 and 2020, the Valuer considers that the comparable companies are comparable with the Target Group.

In view of the above, the Directors consider it is fair and reasonable to accept the comparable companies with larger scale of operations.

Variety of Courses Provided: The Board notes that the comparable companies (which are school operators) offer variety of higher education courses, including the arts, science and business courses which are often delivered at universities, academies, colleges, seminaries and institutes of technologies. The Target Group provides the financial quotient and investment experience-sharing seminars. Taking into account that the main service of the Target Group and the comparable companies are both imparting knowledge to their customers, the Valuer considers that the business nature of the Target Group and the comparable companies are similar. Despite the difference of courses provided by the comparable companies and the Target Group, the Directors concurred with the Valuer's view that the comparable companies are comparable to the Target Group due to the similarity in the business nature of the Target Group and the comparable companies.

Having taken into account the above, the Board considers that it is reasonable for the Valuer to make reference to the comparable companies in assessing the fair value of the Target Group under the Valuation.

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. Since the shares of the Target Company are not publicly traded which are not readily marketable, a discount for lack of marketability was applied in the Valuation to reflect the Target Company's reduced level of marketability.

A control premium generally represents the additional consideration that an investor would pay in order to own a controlling interest in the company. In order to reflect the Company will hold the entire issued share capital of the Target Company upon the Completion, the control premium was adopted in the Valuation.

In view of the above, the Board considers that the Consideration (with reference made to the Valuation and represents a discount of approximately 5% to the Valuation) is fair and reasonable.

Profit guarantee and compensation

Pursuant to the Agreement, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited net profit after tax of the Target Group for the 12-month period from 1 April 2020 to 31 March 2021 (the "**Profit Guarantee Period**") as shown on its audited consolidated financial statements to be prepared in accordance with the HKFRS shall be no less than HK$17,000,000 (the "**Guaranteed Profits**").

If the actual audited consolidated net profit after tax of the Target Group for the Profit Guarantee Period 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**"):

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

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 consolidated financial statements of the Target Group for the Profit Guarantee Period which shall be prepared in accordance with the HKFRS and reported 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 "**2021 Audit**"). The cost of appointing such auditor will be borne by the Purchaser.

The Compensation Sum shall be settled by the Vendor with the Purchaser by way of setting off against the Promissory Note and any remaining balance shall be paid by the Vendor in cash. The Vendor shall settle and pay all relevant amount that is payable within 14 Business Days upon the issuance of the 2021 Audit. 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) historical financial performance of the YH with profit-making record; and (ii) the business development and future prospect of the Target Group.

The Company will publish announcement(s) and disclose in its future annual report(s), among others, the outcome of the Guaranteed Profits and the actual performance of the Target Group for the Profit Guarantee Period, as and when appropriate.

The financial year-end date of the Target Group is 31 December. After arm's length negotiation between the Purchaser and Vendor, the Profit Guaranteed Period is 12-month period from 1 April 2020 to 31 March 2021. In addition, the Company intends to change the financial year end date of the Target Group from 31 December to 31 March in order to align with the financial year end date of the Company (i.e. 31 March).

The Board has discussed with the management of the Target Group of the bases and assumptions in arriving at the Guaranteed Profits. The Guaranteed Profits is estimated by the management of the Target Group with reference to the estimated number of customers and estimated membership package fee and participation fee after taking into account the historical enrollment rate. Based on the management accounts of YH, YH recorded a profit growth of approximately 64.4% for the 3 months ended 30 June 2020 ("**2Q2020**") as compared with that for the 3 months ended 31 March 2020 ("**1Q2020**"). Furthermore, for the 3 months ended 30 September 2020, YH continued to experience an increase of profit by approximately 20.5% as compared with that for 2Q2020. As advised by the management of the Target Group, the customer base of YH has been expanding and the reputation of YH has been built up. The aggregate number of customers as at 30 September 2020 increased by over 1.5 times as compared with that as at 30 September 2018. The customers enrollment of YH mainly relies on word-of mouth referrals and YH could take advantage of its established customer base to reach potential customers.

Besides, the Board has reviewed the management accounts of the Target Group for the nine months ended 31 December 2020 as provided by the management of the Target Group. The Board noted that the Target Group recorded profit of approximately HK$14.2 million for the nine months ended 31 December 2020 (the "**December Profits**"). Based on the Guaranteed Profits, the theoretical net profits of the Target Group for the nine months ended 31 December 2020 estimated on a pro-rata basis would be approximately HK$12.7 million (the "**Theoretical December Profits**"). The December Profits exceed the Theoretical December Profits.

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 Agreement and the sale and purchase of the Sale Shares contemplated thereunder having been approved by the Independent Shareholders at the EGM in accordance with the Applicable Laws;

(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 Latest Practicable Date, 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 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 Vendor and the Purchaser may agree in writing.

As at the Latest Practicable Date, the Target Company is owned as to 70% by the Vendor and as to 30% by the Purchaser. 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 PROMISSORY NOTE

Set out below are the principal terms of the Promissory Note:

Issuer:	the Purchaser
Principal amount:	HK$41,000,000
Interest:	3% 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 which is owned as to 70% by the Vendor and as to 30% by the Purchaser. Its principal business is investment holding. The Target Company held the entire issued share capital of 98 SHH Limited and YH.

98 SHH Limited is a limited liability company incorporated under the laws of the British Virgin Islands and its principal business is investment holding. The principal assets of 98 SHH Limited is the Property (as defined below).

YH is a limited liability company incorporated in Hong Kong and is the operating entity of the Target Group. It is principally engaged in provision of financial quotient and investment experience-sharing seminars in Hong Kong. YH held the entire issued share capital of YH Education Limited.

YH Education Limited is a limited liability company incorporated in Hong Kong and its principal business is investment holding.

The Target Group currently holds the experience-sharing seminars (the "**Seminars**"), which mainly cover (i) property investment; (ii) securities investment; and (iii) financial quotient in Hong Kong. The Seminars being held by the Target Group aim at enhancing the knowledge of the customers in the areas of finance and investment, as well as sharing different ways for the customers to fulfil their financial needs.

The Target Group has well-established network of experienced experts and professionals in property and stock investment industry as speakers in the Seminars (the "**Speakers**"). During the Seminars, the Speakers would, by sharing their own experiences, explore with the customers various ways of leveraging the resources on hand to invest in order to reach the financial goals. With the objective of helping the customers to deepen and upskill their understanding on securities and property investment, the Seminars would cover array of investment topics, such as effects of global macroeconomic trends, securities and properties investment policy in Hong Kong etc. The Seminars are designed expressively for diversified age groups from 25 to 60 years old disregarding their occupation, gender, employment status or financial situation.

The Target Group also offers one-on-one discussion meeting (the "**Discussion Meeting**") to those customers who have finished the Seminars. During the Discussion Meeting, the customers would get the chance to have a deep dive discussion into the securities and properties investment strategies and ideas with the Speakers based on individual circumstances.

The customers will generally prepay their membership package and participation fee for the Seminars and the Discussion Meeting.

After seeking advice from the legal advisers, the Group considers that provision of the Seminars and the Discussion Meeting by the Target Group in Hong Kong do not constitute regulated activities under the SFO and hence the Target Group does not require any SFC license for its operation. In addition, as advised by the legal advisers, provision of the Seminars and the Discussion Meeting by the Target Group will not be subject to license and permit under the Education Ordinance.

The original investment and acquisition cost of 70% equity interest in the Target Group paid by the Vendor was approximately HK$11.3 million.

The Target Company holds a property (the "**Property**") through its direct wholly-owned subsidiary. The Property is located at Siu Hang Hau, Clear Water Bay, Sai Kung, New Territories, Hong Kong, which is a 3-storey residential house with private garden and roof top. As the assets of the Target Group consist mainly of the Property, a valuation report on the Property is included in this circular pursuant to Rule 8.02 and Rule 20.68(7) of the GEM Listing Rules. The texts of the property valuation report in respect of the Property are set out in Appendix VI to this circular. Based on the valuation report on the Property prepared by an independent professional valuer, the market value of the Property as at 31 December 2020 is HK$20 million. The valuation report on the Property is for the purpose of complying with the requirement of the GEM Listing Rules and the Group has not taken into account the value of the Property to determine the Consideration.

Based on the latest consolidated financial information of the Target Group as at 31 December 2020 as set out in the Appendix II to this circular, the Board noted that the Property is subject to the mortgage loan of approximately HK$11.2 million (the "**Mortgage Loan**"). The Mortgage Loan in the principal amount of HK$11.2 million was drawdown on 26 March 2020 which would be repayable on 25 March 2021 (i.e. 12 months from the drawdown date). The repayment schedule of the Mortgage Loan comprised of 12 monthly interest repayment of approximately HK$93,000 per month and one lump sum repayment of the principal amount of the Mortgage Loan of HK$11.2 million upon maturity. As such, total annual cash outflow of the Mortgage Loan (including one lump sum repayment of the principal and 12 monthly interest repayments) would be approximately HK$12.3 million. Taking into account that the market value of the Property of HK$20 million as at 31 December 2020 exceeds the Mortgage Loan of approximately HK$11.2 million, thus, the Group is expected to record a positive net assets value associated with the Property. In addition, based on the market value of the Property as at 31 December 2020 of HK$20 million, the Property already demonstrated an appreciation (the "**Appreciation**") in its value as compared to its carrying value of approximately HK$15.5 million as at 31 December 2020.

The Group intends to hold the Property for investment purpose to capture potential capital appreciation in the future and/or to receive rental income. The Property has leased out for monthly rental income of HK$45,000 for 1 year until 31 August 2021. Assuming that the Completion takes place on 1 March 2021, the Group is liable to repay the outstanding amount of the Mortgage Loan of approximately HK$11.3 million which is the total amount of the principal amount of HK$11.2 million and a monthly interest for March 2021 of approximately HK$93,000. Taking into account that the aggregate monthly rental income of HK$270,000 of the Property for March 2021 to August 2021, the net cash outflow impact of the Mortgage Loan on the Company would be approximately HK$11.0 million. The Company is aware of the negative cash outflow from the repayment of the Mortgage Loan. However, it should be noted that it is the intention of the Group to dispose the Property as and when suitable opportunity arises. In view of the Appreciation, the Group envisages that the aggregate rental income from the Property and the proceeds from the disposal of the Property shall exceed the cash outflow for repayment of the Mortgage Loan and will result in an overall positive cashflow impact to the Group upon disposal of the Property. As such, the Group considers that cash outflow from repayment of the Mortgage Loan prior to the disposal of the Property would only be temporary as it is due to time lag between making interest and principal repayment of the Mortgage Loan and receiving proceeds from the disposal of the Property. In the event that the Purchaser is requested to provide funding to the Target Group for repayment of the Mortgage Loan, the aforesaid amount provided by the Purchaser could be fully applied for set-off against the Assumed Liabilities. Therefore, total amount of the Consideration still remains unchanged even if the Purchaser is requested to finance repayment of the Mortgage Loan. Indeed, the Acquisition essentially has the effect of acquiring the Property at zero consideration by the Purchaser and presents it with an appealing property investment opportunity for capital appreciation and for generating rental income. Based on the foregoing factors, the Board considers that the Acquisition is fair and reasonable to the Company.

As disclosed in the accountants' report on the Target Group in Appendix II to this circular, the Target Group recorded an amount due to Freemaker Institute Limited ("**Freemaker**") of approximately HK$10.4 million as at 31 December 2020 (the "**Balance**"). The Group has completed an acquisition in August 2020, since then, Freemaker has become an indirectly wholly owned subsidiary of the Company. The Purchaser is the common shareholder of Freemaker and the Target Company. The Target Group, being an associate of Mr. Yuen Yu Sum (an executive Director), is therefore a connected person of the Company.

Upon Completion, both Freemaker and the Target Company will be indirect wholly-owned subsidiaries of the Group. The Balance will become intra-group balance within the Enlarged Group which will be eliminated on consolidation level. As such, the Balance will not have any cash outflow impact on the Group upon Completion.

The circumstances leading to the Balance did not involve any borrowing, grant of credit or indemnity or provision of financial assistance. As such, the nature of the Balance is not borrowing. Therefore, the Balance does not and will not constitute transaction as defined under the GEM Listing Rules.

Business model of the Target Group

For the financial year ended 31 December 2020, the revenue of YH accounted for over 90% of the total revenue of the Target Group. The revenue of YH primarily contributed by the membership package fee and participation fee for the Seminars and the Discussion Meeting.

YH mainly recruits customers through promotion forum and word-of-mouth referrals by customers for attracting potential customers for enrollment of the Seminars. YH normally receives membership package fee in advance from customers. Generally, the membership package will last for 1 year and the customers can choose to attend twelve Seminars they are interested in.

YH held over 150 Seminars throughout the year. The Seminars mainly focus on three areas, namely (i) property investment, such as how to renovate an investment property and get returns, how to identify profitable rental properties and understanding the property market in Hong Kong; (ii) securities investment, such as trading strategies for options trading, how to manage the investment portfolio that will maintain an optimal balance between risk and return and how to achieve financial goal through Forex trading; and (iii) financial quotient, such as how to make decisions on personal finances and how to set the financial goals.

YH also offers one-on-one Discussion Meeting to those customers who have finished the Seminars. YH normally receives participation fee for the Discussion Meeting in advance from customers. YH offers tailored Discussion Meeting to customers according to their different needs and preferences for financial topics. Generally, in the Discussion Meeting, the Speakers would discuss more comprehensively with the customers regarding their personal financial circumstances and financial concerns. Leverage on the experiences on property and securities investments of the Speakers, they would carefully discuss the investment strategy with the customers in order to help the customers to achieve different financial objectives.

The membership package will generally last for twelve months and the validity period of the Discussion Meeting will last for three months. The customers will generally make upfront payment for the membership package and participation fee for the Seminars and the Discussion Meeting. YH will recognize revenue on a pro-rata basis throughout the duration of the membership package and the Discussion Meeting. Based on the foregoing, once customers are enrolled for the membership package and the Discussion Meeting, it will provide a stable revenue stream to YH.

The customers of YH is non-recurring in nature. The Seminars offered by YH aim to equip the customers with knowledge and skills required to effectively manage their investment and wealth. After finishing the informative and practicable Seminars, most of the customers are able to manage and construct their investment portfolio by themselves. Due to the ability of YH in delivering positive experience to the customers consistently, the customers are willing to recommend the Seminars to their friends. According to YH's record, one of the primary contributors to the success in Seminar enrolments has been word-of-mouth referrals from the existing or old customers.

The total number of membership packages that have been subscribed by the customers (the "**Members**") of YH for the year ended 31 December 2018, 2019 and 2020 were 323, 566 and 458. The membership package fee ranged from HK$3,980 up to HK$39,800 depending on the number of the Seminars which a customer will be entitled to participate. The fee of 12 lessons membership package is the highest. Since 2019, the number of customers subscribed for 12 lessons membership package (the "**12 Lessons Customers**") demonstrated growth trend. The number of 12 Lessons Customers surged by over 3.5 times from 78 for the year ended 31 December 2018 to 364 for the year ended 31 December 2020. The total number of 12 Lessons Customers represented approximately 69.3% (the "**12 Lessons Customers Ratio**") of the total number of the Members for the year ended 31 December 2019, represented an increase of over 1.5 time as compared with that of approximately 24.2% last year. For the year ended 31 December 2020, the 12 Lessons Customers Ratio continued to experience an increase by approximately 14.7% from approximately 69.3% for the year ended 31 December 2019 to approximately 79.5%. The growth of both the number of 12 Lessons Customers and the 12 Lessons Customers Ratios demonstrated that the Seminars are well received by the customers with higher spending power and YH is expanding its high-spending customer base.

The Seminars offered by YH cover different areas including (i) property investment; (ii) securities investment; and (iii) financial quotient. The customers can choose the Seminars with different topics according to their own preference under the membership package. The management of YH considers that the ability of YH to provide the Seminars covering various topics and areas represents its competitive strength for attracting new customers. YH has a broad clientele and a recognized brand name as a comprehensive service provider which would enable the customers to obtain understanding in various investment and financial aspects. YH will schedule the Seminars according to the availability of the Speakers. The Seminars schedule is produced once a month and is available on the own website of YH. Members can enroll the Seminars through the web registration system of YH. Through the services of YH, it will bridge the requirement of customers and the Speakers. On one hand, it will enable customers to gain understanding on an array of financial and investment topics from various Speakers and on the other hand, it will relieve the Speakers from the efforts required to gain access to target customers. The team of YH are able to (i) provide customer services with existent customers by promptly reacting to the requests of the customers to maintain a good relationship such as explaining the detailed information of the Seminars, enrolling the Seminars for the Members, facilitating the Members to fully utilize their membership package, the Members may, in turn, refer and promote the Seminars; (ii) identify customers' needs and adjust the topics of the Seminars from time to time based on customers' feedback; and (iii) formulate marketing strategies to reach potential customers such as offer referral gifts in the form of free Seminars to existing customers for any successful referrals of potential customers, conduct sales, marketing and promotion activities through YH own website and other social media platforms. Speakers of YH solely focus on delivering quality Seminars and do not need to perform any administration work such as recruiting new customers, maintaining customer relationship or promoting the Seminars. In this connection, YH acts as the unified platform which will enable both the customers and the Speakers to reap benefits from the Seminars arranged by YH as discussed above.

Speakers of the Seminars

Generally, YH entered into employment contracts with some of the Speakers while some of the Speakers were invited in hourly basis. Since January 2018, YH has engaged six Speakers. Two of them have entered into employment contracts with YH. The employment contracts include a non-competition clause on restricting the Speakers to hold any seminars which will result in either direct or indirect competition to YH. One of the Speakers was engaged on revenue sharing basis. YH will share 30% of the fee income of the Seminars which were held by the speaker. Two of them were engaged on hourly basis and one of them was engaged on voluntary basis as guest speaker. Set out below are the profile of some of the Speakers:

Mr. A has over 10 years of experience in property and securities investment. He possesses an estate agent's licence (individual) granted by the Estate Agents Authority in Hong Kong. He has worked as a real estate agent in Hong Kong for over 5 years and has extensive experience in the property industry. He has acquired more than HK$100 million worth of diversified real estate portfolio in Hong Kong and overseas since 2008. During the past 5 years, he has held over 500 seminars sharing his investment experience to over 10,000 participants.

Mr. B is a reputable Hong Kong based financial columnist, financial influencer and experienced investor who possesses over 10 years of investment experience. He is also the author of several investment and personal finance books. He is a regular contributor to several publication in Hong Kong, including am730 and Mingpao and has been a current affairs commentator for 20 years. He has built up a strong personal network in financial industry in Hong Kong. He analyzes the major trends in the financial markets and economies of Hong Kong and provides his readers with insights into the future market development. He is willing to share his investment strategies to the public and has been well-received in the market. He has attended interviews with several local media such as Apple Daily to share his investment experiences.

Mr. C is a motivational speaker and business coach. He is also an entrepreneur and has over 25,000 subscribers on his Youtube channel. He has provided training to or co-operated with various corporations, such as banks, insurance companies, food and beverage chains, medical and healthcare companies, media companies and international luxury brands, etc. Since 2013, he has traveled around the world to teach over ten thousands of people in clarifying and attaining their financial goals. In 2019, he was invited as a speaker for a seminar held by the Macao Government Tourism Office and Consumer Council with over 300 participants. He also attended interviews with some local media such as South China Morning Post to share his experiences.

The management of the Target Group and the current Speakers are well experienced in securities and property investment and have thus accumulated personal network in this industry. In addition, the management of the Target Group and the current Speakers regularly participate in the social events hosted by securities and property investment industry players in order to maintain relationship and meet with different experts and professional. Recently, the management of the Target Group has invited 2 new Speakers for the upcoming Seminars, including Mr. D who is a professional in building diagnosis and inspection for over 20 years, which will further enrich the content of the Seminars.

YH employed Mr. A as Speaker in 2017 and another Speaker in second half of 2019. Since the commencement of business in 2017, in order to have greater flexibility to arrange a wide variety of topics and up-to-date Seminars, YH has been adopting the strategy in inviting different Speakers from time to time based on their experience and qualifications in the relevant topics instead of engaging Speakers as permanent staffs. Over years, YH has demonstrated a proven profitable business model with net profit surged by over 2 times from approximately HK$3.4 million for the financial year ended 31 December 2017 to approximately HK$10.9 million for the financial year ended 31 December 2019. The proven profit making track record of YH indicated that it has a sustainable business model which allows it to deliver Seminars of high quality and to cater for diverse customer needs.

The Group has conducted due diligence review on the Target Group (the "**Due Diligence Review**"), such as (i) performed legal and financial due diligence review on the Target Group; (ii) reviewed the management accounts and operational information of the Target Group; (iii) appointed the Valuer, a qualified independent valuer to perform the Valuation; (iv) discussed with the Valuer regarding the basis and assumptions of the Valuation; and (v) discussed with the Vendor and the management of the Target Group on the affairs and future prospects of the Target Group.

In light of the foregoing, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) after taking into account the findings of the Due Diligence Review conducted so far, consider that the Acquisition to be fair and reasonable.

FINANCIAL INFORMATION OF THE TARGET GROUP

According to the accountants' report of the Target Group, as set out in Appendix II to this circular, key financial data of the Target Group for the years ended 31 December 2019 and 2020 are set out as follows:

	For the year ended 31 December 2020 (audited) *HK$'000*	For the year ended 31 December 2019 (audited) *HK$'000*
Revenue	37,159	30,701
Net profit before taxation	22,166	15,889
Net profit after taxation	18,595	13,827

According to the accountants' report of the Target Group, it recorded net assets of approximately HK$22.4 million as at 31 December 2020.

The Directors noted that the revenue of YH of approximately HK$11.4 million for the year ended 31 December 2018 (as disclosed in the singleton audited report of YH) is higher than that of the Target Group of approximately HK$10.4 million for the year ended 31 December 2018. The singleton audited financial information of YH for the year ended 31 December 2018 was audited by a certified public accountant in Hong Kong other than McM (HK) CPA Limited ("**McM**") (the Company's reporting accountant of this circular) and the revenue of YH of approximately HK$11.4 million for the year ended 31 December 2018 represented seminar fees, administrative income and accounting fee income.

The accountants' report of the Target Group as set out in Appendix II to this circular which is audited by McM. On consolidation level, portion of the administrative income and accounting support income were eliminated as these were charged to companies within the Target Group. In addition, as the principal activity of the Target Group is the provision of seminar services, the Board considered that the administrative income and accounting support income are not related to the principal activity of the Target Group and therefore reclassified these income, which were not eliminated on consolidation level, into other income for the year ended 31 December 2018 (the "**2018 Reclassified Income**"). Hence, the reclassification resulted in the revenue of YH of approximately HK$11.4 million for the year ended 31 December 2018 is higher than that of the Target Group of approximately HK$10.4 million for the year ended 31 December 2018. The 2018 Reclassified Income amounted to approximately HK$214,000 mainly represents the service charges of administrative and accounting services provided to former non-core business subsidiaries of the Target Group disposed in 2017. The Board considers that such income of the administrative and accounting services are minimal compared to the income generated from the provision of the Seminars and financial quotient courses. Also, the former non-core business subsidiaries are disposed and YH would not provide the administrative and accounting services in the future, as such, the Board concurred with the view of the management of the Target Group that the principal activity of the Target Group is the provision of seminar services.

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 (the "**OEM Business**"); (ii) retailing and wholesaling of garment products under the Group's own brand and high-end fashion 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.

For the six months ended 30 September 2020, although the garment sector of the consumer market has experienced a downturn in recent years, the OEM Business recorded an increase in segment profit by approximately 68.1% as compared with the same period for the last year due to the efforts of the Group in controlling its expenses and looking for ways to improve the business. The Group will further explore the possibility to minimize the expenses and to secure orders.

Owing to weak retail sentiments and outbreak of COVID-19, the Group experienced a loss in the segment results of retail business and wholesaling business for the six months ended 30 September 2020. The Group will closely monitor the consumers' behavior and the business plan in order to stay competitive in the market until COVID-19 is under control.

The Group has acquired the Money Lenders License in 2016 and plans to continue and develop the money lending business so as to generate a stable income stream for the Group. The management of the Group will continue to review its existing businesses from time to time and strive to improve the business operation and financial position of the Group. The Directors consider that the Acquisition represents an attractive opportunity to achieve financial growth and generate diversified income and additional cashflow through the Target Group.

During the financial year ended 31 March 2020, the Group has started to engage in the Business. As disclosed in the annual report of the Company for the year ended 31 March 2020, certain courses were completed with inspiring achievements and the Business recorded a segment revenue of approximately HK$0.3 million during the financial year ended 31 March 2020. The Board is encouraged by the positive performance of the Business. The Company has been actively seeking opportunities for developing the Business so as to maximize the return for the Shareholders. During 2020, the Group has acquired 2 groups of subsidiaries which principally engaged in the business of hosting investment experience-sharing seminars that purport to enhance the finance and investment knowledge of the customers. The Business accounted for over 50% and 90% of the Group's revenue and segment profit for six months ended 30 September 2020 respectively. The Group will continue to (i) invest resources to expand its share in the financial quotient and investment education market; and (ii) strive to broaden its customer base. At the same time, the Board intends to continue to operate the OEM business, retail business, wholesaling business and money lending business.

Despite the diversification of business into financial quotient and investment education market, the Company intends to continue the operation and development of and has no intention to downsize the OEM Business and retail business. Looking forward, (i) for OEM Business, the Group will endeavour to keep abreast of the technological advances in the OEM industry with an aim to secure new customers and orders; and (ii) for retail business, the Group will continue to adopt a prudent approach in restructuring its sales network aiming at minimising the operating costs amid meeting the shift of consumers' preference towards shopping online.

The Group has acquired 30% of the issued share capital of the Target Company in October 2019 and is an associated company of the Company. In view of (i) the YH's achievement of the 2019 Guaranteed Profits; and (ii) YH has established proven profit-making record over the past three years and demonstrated remarkable growth in net profit of over 20% and 160% in 2018 and 2019 respectively, the Directors are optimistic towards the prospect of the Target Group and are of the view that the Target Group will provide continuous satisfactory contributions to the Group. As such, the Board decided to acquire the remaining interest of the Target Company.

The Group believes that the conversion of the Target Company from an associate to a subsidiary will help the development and expansion of the Business and is in line with the Group's development strategy in the Business. Upon Completion, the Group will obtain full control over the Target Group, the Directors consider that the Acquisition will enable the Group to (i) better allocate its internal resources to develop the business of the Target Group; and (ii) enhance the overall service capability and competitiveness of the Business.

In addition, the financial results of the Target Group will be consolidated into the financial statements of the Company upon Completion. In view of the proven profit-making record of the Target Group, the Directors consider that the Acquisition would enable the Group to broaden the revenue base of the Group and will bring positive influence to the financial results of the Group.

According to the accountants' report of the Target Group as set out in Appendix II for the year ended 31 December 2020, the net profits of the Target Group registered approximately HK$18.6 million, representing an increase of approximately 34.8% as compared with last year (the "**Profit Growth**"). Taking into account that (i) the Target Group has a complete online system to support the customers to attend the seminar online; and (ii) the Profit Growth, the Board considers that outbreak of COVID-19 in Hong Kong since January 2020 does not cause adverse impact to the financial position of the Target Group.

Besides, as the majority of the Consideration is satisfied through the issue of the Promissory Note, therefore immediate cashflow burden of the Group will be largely reduced. Also, 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 (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) 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.

FINANCIAL EFFECT OF THE ACQUISITION

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, the Group's total assets would be increased by approximately HK$97.2 million and total liabilities of the Group would be increased by approximately HK$81.8 million as a result of the Acquisition. The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix IV to this circular.

According to the accountants' report of the Target Group as set out in Appendix II to this circular, the Target Group recorded an audited profit for the year of approximately HK$18.6 million for the financial year ended 31 December 2020. Upon Completion, the entities comprising the Target Group will become subsidiaries of the Company and results of the Target Group will be consolidated into the results of the Enlarged Group. The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

GEM LISTING RULES IMPLICATIONS

As both the Previous Acquisition and the Acquisition involve the acquisition of equity interest in the Target Company and were entered into by the Group with same party, the Acquisition is required to be aggregated with the Previous Acquisition for the purpose of calculating the applicable percentage ratios (as defined under the GEM Listing Rules). As some of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition, when aggregated with the Previous Acquisition, exceed 25% but all applicable percentage ratios are below 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, the Vendor is an executive Director, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

RE-ELECTION OF THE DIRECTOR

Reference is made to the announcement of the Company dated 30 October 2020, in which Mr. Chung Chin Kwan was appointed as an independent non-executive Director with effect from 30 October 2020.

According to Article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Accordingly, given Mr. Chung Chin Kwan has been appointed as the Director after the date of last general meeting of the Company, he shall hold office only until the next following general meeting of the Company, which is the EGM and being eligible, has offered himself for re-election at the EGM.

Details of Mr. Chung Chin Kwan are set out in Appendix VIII to this circular in accordance with the relevant requirements of the GEM Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

The voting in respect of the resolutions to be proposed at the EGM will be conducted by poll. Any Shareholders and their close associates (as defined under the GEM Listing Rules) who have a material interest in the Acquisition shall abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM.

Mr. Yuen Yu Sum, an executive Director, is the Vendor under the Agreement and has material interest in the Acquisition. He has abstained from voting on the Board resolutions for approving the Agreement and the transactions contemplated thereunder. Save as disclosed above, there are no other Directors who have any material interest in the Acquisition and no other Directors need to abstain from voting on the Board resolutions of the Company for approving the Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Yuen Yu Sum holds 10,000,000 Options. If he exercises the subscription rights attaching to his 10,000,000 Options (if exercised in full, represents 10,000,000 new Shares to be issued) on or before the date of EGM, he is required to abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 33 of this circular. Your attention is also drawn to the letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated therein set out on pages 35 to 70 of this circular.

Taking into account the letter from the Independent Board Committee and the advice of the Independent Financial Adviser, the Board (including the independent non-executive Directors) considers that the transactions contemplated under the Agreement are on normal commercial terms and the terms of the Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution to be proposed for approving the Agreement and the transactions contemplated therein at the EGM.

The Board is also of view that the re-election of the Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

The English text of this circular, the notice of the EGM and the form of proxy for use at the EGM shall prevail over the Chinese text in case of inconsistency.

By Order of the Board
L & A International Holdings Limited
Lau Chun Kavan
Executive Director

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)

15 March 2021

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 70% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF PROMISSORY NOTE

We refer to the circular of the Company dated 15 March 2021 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board on pages 5 to 32 of the Circular, which sets out details of the Agreement and the transactions contemplated thereunder. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 35 to 70 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder.

Having taken into account the terms of the Agreement and the advice and recommendation of the Independent Financial Adviser, we consider that the Agreement is on normal commercial terms and that such terms are fair and reasonable so far as the interests of the Independent Shareholders are concerned, and the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

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

Mr. Chung Chin Kwan	**Mr. Chan Kim Fai Eddie**	**Mr. Ng Chi Ho Dennis**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from Rainbow Capital (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

15 March 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE REMAINING 70% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF PROMISSORY NOTE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Company's proposed acquisition of the 70% of the issued share capital of the Target Company pursuant to the Agreement dated 27 October 2020. Details of the Acquisition and the transactions contemplated thereunder are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 15 March 2021 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of the Company dated 8 October 2019, the Company first acquired 30% of the issued share capital of the Target Company from the Vendor. As both the Previous Acquisition and the Acquisition involve the acquisition of equity interest in the Target Company and were entered into by the Group with the same party, the Acquisition is required to be aggregated with the Previous Acquisition for the purpose of calculating the applicable percentage ratios (as defined under the GEM Listing Rules). As some of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition, when aggregated with the Previous Acquisition, exceed 25% but all applicable percentage ratios are below 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Mr. Yuen Yu Sum, being the Vendor, is an executive Director and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Save as the Vendor, there are no other Directors who have material interest in the Acquisition. As at the Latest Practicable Date, the Vendor holds 10,000,000 Options. If he exercises the subscription rights attaching thereto which represents 10,000,000 new Shares to be issued on or before the date of the EGM, he is required to abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Chung Chin Kwan, Mr. Chan Kim Fai Eddie and Mr. Ng Chi Ho Dennis, has been formed to advise the Independent Shareholders in respect of the terms of the Agreement and the Acquisition. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or any other parties. Accordingly, we are qualified to give independent advice on the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group and the Target Group, or any of its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Agreement and the Acquisition are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Acquisition

1.1 The Group

The Group is principally engaged in (i) the manufacturing and sales of OEM garment products (the "**OEM Business**"); (ii) retailing and wholesaling of garment products under the Group's own brand and high-end fashion brand (the "**Retail Business**"); (iii) provision of loan services (the "**Money Lending Business**"); (iv) wholesaling of seafood (the "**Wholesaling Business**"); (v) provision of financial quotient and investment education courses for customers in return of tuition fees from them (the "**Financial Quotient and Investment Education Business**"); and (vi) property investment (the "**Property Investment Business**").

The following table summarises (i) the audited consolidated financial information of the Group for the years ended 31 March 2019 and 2020 as extracted from the annual report of the Company for the year ended 31 March 2020 (the "**2020 Annual Report**"); and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2019 and 2020 as extracted from the interim report of the Company for the six months ended 30 September 2020 (the "**2020 Interim Report**"):

(a) Financial performance

	For the years ended 31 March		For the six months ended 30 September	
	2019	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
– OEM Business	44,404	40,241	15,005	16,733
– Retail Business	1,041	7,650	4,665	240
– Money Lending Business	2,399	2,619	1,475	1,738
– Wholesaling Business	23,887	23,449	21,598	–
– Financial Quotient and Investment Education Business	–	312	829	20,786
	71,731	74,271	43,572	39,497
Cost of sales	(62,019)	(66,608)	(38,095)	(17,810)
Net impairment (losses)/gains on loan receivables	15,847	(4,337)	–	–
Other income	595	2	1	306
Other gains and losses, net	141	(17,636)	1,589	522
Selling and distribution expenses	(3,004)	(133)	(80)	(44)
Administrative and other expenses	(30,365)	(18,368)	(7,968)	(8,093)
Finance costs	–	(829)	(2)	(1,238)
Share of profits less losses of associate	–	1,190	–	2,756
Profit/(loss) for the year/ period attributable to owners of the Company	(9,427)	(31,600)	(1,185)	13,444

For the years ended 31 March 2019 and 2020

For the year ended 31 March 2020, revenue of the Group was approximately HK$74.3 million, representing an increase of approximately 3.5% as compared with the revenue of approximately HK$71.7 million for the year ended 31 March 2019. Such increase was mainly attributable to the general increase in revenue generated from (i) the Retail Business by approximately 634.9% from approximately HK$1.0 million to approximately HK$7.7 million, primarily due to the one-off and bulky sales of its aged and slow-moving inventories; and (ii) the Financial Quotient and Investment Education Business from nil to approximately HK$0.3 million, resulting from the Group's new establishment of the Financial Quotient and Investment Education Business since the second quarter of 2019, that aims at enhancing the knowledge in the areas of finance and investment for the customers of the Group, which was partially offset by the decrease in OEM Business by approximately 9.4% from approximately HK$44.4 million to approximately HK$40.2 million, primarily due to the social unrest and the outbreak of coronavirus in Hong Kong eroded customer confidence. The other two business segments of the Group, being the Money Lending Business and Wholesaling Business, recorded a slight fluctuation in revenue, from approximately HK$2.4 million and HK$23.9 million for the year ended 31 March 2019 to approximately HK$2.6 million and HK$23.4 million for the year ended 31 March 2020, respectively.

The net loss attributable to owners of the Company for the year ended 31 March 2020 was approximately HK$31.6 million, representing an increase of approximately 235.2% as compared with the net loss of approximately HK$9.4 million for the year ended 31 March 2019. Such increase was mainly attributable to (i) the recognition of net impairment losses on loan receivables as compared to the net impairment gains on loan receivables in the previous year, primarily due to the increase in longer aged loan receivables for the year ended 31 March 2020; and (ii) the increase in other net losses as compared to the other net gains in the previous year, primarily due to the increase in write off of trade receivables and deposit and other receivables, as well as the recognition of modification loss upon extension of loan receivables from the Money Lending Business which did not appear in the previous year; which was partially offset by (i) the increase in revenue for the year ended 31 March 2020 as aforementioned; (ii) the decrease in selling and distribution expenses of approximately HK$2.9 million which was generally in line with the decrease in revenue generated from the OEM Business and the Wholesaling Business; (iii) the decrease in administrative expenses of approximately HK$12.0 million as a result of the Group's effort in controlling expenses and costs of operation; and (iv) the increase in share of profits less losses of associate of approximately HK$1.2 million in view of the profit shared from the Financial Quotient and Investment Education Business as a result from the Previous Acquisition which was completed in October 2019.

For the six months ended 30 September 2019 and 2020

For the six months ended 30 September 2020, revenue of the Group was approximately HK$39.5 million, representing a decrease of approximately 9.4% as compared with the revenue of approximately HK$43.6 million for the six months ended 30 September 2019. Such decrease was mainly attributable to the general decrease in revenue generated from (i) Retail Business by approximately 94.9% from approximately HK$4.7 million to approximately HK$0.2 million, mainly due to the outbreak of coronavirus in Hong Kong; and (ii) Wholesaling Business from approximately HK$21.6 million to nil, mainly due to the outbreak of coronavirus in Hong Kong. Such decrease was partially offset by the general increase in revenue generated from (i) OEM Business by approximately 11.5% from approximately HK$15.0 million to approximately HK$16.7 million due to the Group's efforts in securing new customers and orders, controlling its expenses and looking for ways to improve the business; (ii) Money Lending Business by approximately 17.8% from approximately HK$1.5 million to approximately HK$1.7 million; and (iii) Financial Quotient and Investment Education Business by approximately 2,407.4% from approximately HK$0.8 million to approximately HK$20.8 million due to the Group's expansion in the financial quotient and investment education market and the continuous efforts in broadening its customer base.

The net profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK$13.4 million, as compared with the net loss of approximately HK$1.2 million for the six months ended 30 September 2019. Such increase in net profit was mainly attributable to (i) the growth in the Group's Financial Quotient and Investment Education business as forementioned; (ii) the decrease in cost of sales of approximately 53.2% due to the substantial drop of Wholesaling Business during the period; and (iii) the increase in share of profit less losses of associate of approximately HK$2.8 million during the period, in view of the profit shared from the Financial Quotient and Investment Education Business as a result from the Previous Acquisition which was completed in October 2019. Such increase was partially offset by (i) the decrease in other net gains by approximately 67.1%, primarily attributable to the non-recurrence of fair value gain on the Group's equity investments during the period; and (ii) the increase in finance costs of approximately HK$1.2 million which was primarily due to the issuance of promissory note as a result from the Previous Acquisition.

(b) Financial position

	As at 31 March		As at 30 September
	2019	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Non-current assets	17,774	45,240	84,571
Current assets	96,634	44,296	118,775
Current liabilities	15,960	21,682	89,497
Non-current liabilities	122	17,875	50,761
Net current assets	80,674	22,614	29,278
Net assets	98,326	49,979	63,088
Cash and cash equivalent	5,229	2,130	42,252

As at 30 September 2020, total assets of the Group amounted to approximately HK$203.3 million, representing an increase of approximately 127.1% as compared to that as at 31 March 2020. Total assets primarily consist of cash and cash equivalents, loan receivables and goodwill arising from the Company's acquisitions of the entire issued share capitals of 2 groups of subsidiaries which are principally engaged in the Financial Quotient and Investment Education Business during the six months ended 30 September 2020, which in aggregate accounted for approximately 75.8% of total assets of the Group.

As at 30 September 2020, cash and cash equivalents of the Group amounted to approximately HK$42.3 million, representing an increase of approximately 2,024.5% as compared to that as at 31 March 2020, primarily as a result of the significant increase in net cash generated from the Group's operating activities, namely the Financial Quotient and Investment Education Business during the six months ended 30 September 2020.

As at 30 September 2020, the Group recorded net current assets of approximately HK$29.3 million and net assets of approximately HK$63.1 million, respectively.

(c) Overall comment

For the year ended 31 March 2020, except for the one-off sales of aged and slow-moving inventories from the Retail Business, the Group's principal business segments, namely OEM Business and Wholesaling Business, have generally remained stagnant. Coupled with the increase in magnitude of several loss items in the Group's income statement which primarily included the write off of trade receivables, impairment loss and modification loss recognised for the Group's loan receivables as aforesaid, the loss of the Group was further deepened.

Since the beginning of 2020, the outbreak of the novel coronavirus has imposed further negative pressure to the Group's principal business. While the Group started to engage the Financial Quotient and Investment Education Business for less than two years, its financial performance is proved to be encouraging. As disclosed in the 2020 Interim Report, the net profit attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK$13.4 million, as compared with a loss of approximately HK$1.2 million for the corresponding six months ended 30 September 2019, mainly attributable to, among others, the growth in the Group's Financial Quotient and Investment Education Business which has shown remarkable growth as compared to the corresponding six-month period in 2019.

In view of the positive financial performance of the Financial Quotient and Investment Education Business contributed to the Group, we consider it preferable for the Group to continue to consolidate such business stream with a view to diversifying its existing businesses on one hand, while maintaining adequate cash reserves for its ongoing business development and general working capital purpose.

1.2 The Target Group

(a) Background and business 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, through YH, being incorporated in Hong Kong and directly wholly-owned by the Target Company, is principally engaged in provision of financial quotient and investment experience-sharing seminars in Hong Kong.

The Target Group currently holds the experience-sharing seminars, which mainly cover (i) property investment; (ii) securities investment; and (iii) financial quotient in Hong Kong. The seminars being held by the Target Group aim at enhancing the knowledge of the customers in the areas of finance and investment, as well as sharing different ways for the customers to fulfil their financial needs.

(b) Financial information of the Target Group

Set out below is a summary of the key financial information of the Target Group for the three years ended 31 December 2020 (the "**Track Record Period**"), which were audited in accordance with Hong Kong Financial Reporting Standards and extracted from the Accountants' Report of the Target Group as set out in Appendix II of the Circular:

Financial performance:

	For the years ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**10,356**	**30,701**	**37,159**
– *Seminar services*	10,356	21,575	19,734
– *Consulting services*	–	9,126	17,425
Other income and gains, net	597	1,919	–
Gain from disposal of non-core business subsidiaries	–	2,533	–
Administrative and operating expenses	(9,327)	(19,840)	(17,460)
(Provision)/reversal for expected credit losses	(376)	682	367
Profit before taxation	1,232	15,889	22,166
Income tax expenses	(607)	(2,062)	(3,571)
Profit/(loss) for the year attributable to owners of the Target Company	1,444	14,074	18,595

During the Track Record Period, revenue from the provision of seminar services contributed a majority of total revenue, with the balance consisting of provision of consulting services since 2019. As advised by the management of the Company, the seminars are typically hosted by speakers connected by the Target Group, which are experienced experts and professionals in property and stock investment industry and covers a variety of investment topics. Since 2019, the Target Group is also engaged in the provision of consulting services in the form of one-on-one discussion meeting, that aims to share particular securities and properties investment strategies and ideas to those customers who finished the seminars. The customers will generally prepay their membership package and participation fee for the said seminars and the discussion meeting.

During the Track Record Period, revenue of the Target Group increased significantly by approximately 258.8% from approximately HK$10.4 million in 2018 to approximately HK$37.2 million in 2020, primarily attributable to the general increase in the number of new customers for the investment seminars amid the increasing demand on investment management for people in Hong Kong. In addition, the Target Group also recorded a general increase in its net profit after tax. The noticeable increase in net profit in 2019 and 2020 was generally in line with the increase in revenue as aforesaid.

Financial position:

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	82,358	740	16,441
Current assets	29,425	30,589	45,188
Current liabilities	53,678	26,902	39,011
Non-current liabilities	185	58	253
Net current assets	(24,253)	3,687	6,177
Net assets	57,920	4,369	22,365

As at 31 December 2020, non-current assets of the Target Group mainly comprised of an investment property (the "**Property**") of approximately HK$15.5 million, which comprises a 3-storey detached house located in Hong Kong.

As at 31 December 2020, current assets of the Target Group mainly comprised of (i) amounts due from the Vendor of approximately HK$29.0 million, which are unsecured, interest-free and repayable on demand; and (ii) amounts due from related companies, being several companies which are the shareholders of the Target Group of approximately HK$6.8 million, which are unsecured, interest-free and repayable on demand.

As at 31 December 2020, liabilities of the Target Group represented mainly (i) borrowings of approximately HK$11.2 million, principally comprising a mortgage loan which is secured by a pledge over the Property; (ii) an amount due to a related company, Freemaker Institute Limited (an indirectly wholly owned subsidiary of the Company following the Group's acquisition in August 2020) of approximately HK$10.4 million, which will become an intra-group balance with the Enlarged Group and will be eliminated on consolidation level upon Completion; and (iii) contract liabilities of approximately HK$10.2 million, which represented seminar and consulting fees received in advance prior to the customers attending the related seminars or consulting sessions.

As at 31 December 2020, net assets of the Target Group amounted to approximately HK$22.6 million.

1.3 Background to the Acquisition

(a) Outlook of the Financial Quotient and Investment Education Business

Promoting financial literacy of the people of Hong Kong has been the ongoing motive of the government in Hong Kong. The Investor and Financial Education Council (the "**IFEC**"), which was supported by the four financial regulators and the Education Bureau, was established in Hong Kong in late 2012 for the continuing mission to advance the financial literacy of the people of Hong Kong.

According to a research conducted by IFEC in 2019, overall financial literacy level in Hong Kong increases as compared with that in 2015, as a result of improvement in the area of financial knowledge and attitude.

As stated in the annual report of the IFEC in 2019, Hong Kong's economy has taken a blow as a result of the COVID-19 pandemic, with increasingly more people faced with financial and unemployment difficulties, which highlights the need and urgency to have the capabilities and confidence to manage finances for people in Hong Kong. Against this backdrop, it is believed that the outlook of the Financial Quotient and Investment Education Business is generally positive.

(b) Previous acquisitions

As disclosed in the 2020 Annual Report, the Group intends to invest resources to expand the share in the financial quotient and investment education market and to strive to broaden its customer base.

The Group commenced the Financial Quotient and Investment Education Business in the second quarter of 2019. It provides financial quotient and investment education courses for the customers for enhancing their knowledge in the areas of finance and investment and in return, the Group earns tuition fee income from the provision of courses. After generating segment profit from such business in the first half of 2019, the Group further expanded such business arm through a couple of acquisitions, which are detailed as follows:

Announcement date	Principal business of the target	Consideration	Forms of consideration
17 August 2020	100% equity interest of a target company, which is engaged in the provision of financial quotient and securities investment experience-sharing seminars and relevant value-added services in Hong Kong, together with the provision of activities introducing memory improvement and speed-reading technique	HK$40.0 million	2-year term promissory note with interest rates of 5% per annum
11 May 2020	100% equity interest of a target company, which is engaged in the provision of seminars on the UK property investment experience sharing 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	HK$33.25 million	Consideration share
9 October 2019	30% equity interest of the Target Company, i.e. the Previous Acquisition	HK$15.4 million	Cash

In view of the profit growth of the Target Company and with a view that the Acquisition will obtain the full control of the Target Company, the Group entered into the Agreement with the Vendor to acquire the remaining 70% of the issued share capital of the Target Company to further expand its Financial Quotient and Investment Education Business.

1.4 Reasons for and benefits of the Acquisition

During the year ended 31 March 2020, the Group has commenced to engage in the Financial Quotient and Investment Education Business. For the year ended 31 March 2020 and for the six months ended 30 September 2020, the Company has recorded a segment revenue of approximately HK$0.3 million and HK$20.8 million respectively, demonstrating the positive performance of the Financial Quotient and Investment Education Business.

The Company has been actively seeking opportunities for developing the Financial Quotient and Investment Education Business so as to maximise the return for the Shareholders. In 2020, the Group has acquired 2 groups of subsidiaries which principally engaged in the business of hosting investment experience-sharing seminars that purport to enhance the finance and investment knowledge of the customers, as mentioned in our sub-section above headed "1.3 Background to the Acquisition". As disclosed in the 2020 Interim Report, the Group will continue to invest resources to expand its share in the financial quotient and investment education market. In this context, we concur with the Company's view that the Acquisition is in line with the business strategies and promote the ongoing development of the Group.

As disclosed in the Letter from the Board, the Group has acquired 30% of the issued share capital of the Target Company in October 2019 through the Previous Acquisition which is accounted for an associate of the Company. In view of (i) the achievement of YH, being a direct wholly-owned subsidiary of the Target Company, to reach the 2019 Guaranteed Profits; and (ii) YH has established proven profit-making record over the past three years and demonstrated remarkable growth in net profit of over 20% and 160% in 2018 and 2019 respectively, the Directors are optimistic towards the prospect of the Target Group and are of the view that the Target Group will provide continuous satisfactory contributions to the Group.

Upon Completion, the financial results of the Target Group will be consolidated into the financial statements of the Company. In view of the proven profit-making record of the Target Group, the Directors consider that the Acquisition would enable the Group to broaden the revenue base of the Group and will bring positive influence to the financial results of the Group.

Besides, as the majority of the Consideration is satisfied through the issue of the Promissory Note, therefore immediate cashflow burden of the Group will be largely reduced. Also, 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.

Taking into account that (i) the entering into the Agreement is in line with the business strategies of the Group and serves to diversify the Group's businesses; (ii) the positive financial performance of YH, being the principal operating entity of the Target Group, as demonstrated by its strong profit growth of unaudited net profit of approximately HK$19.6 million according to its management accounts for the year ended 31 December 2020; and (iii) financial benefits brought along by the Acquisition, in particular the reduction of immediate cashflow burden of the Group through the issue of the Promissory Note as the majority of the Consideration, which allows an appropriate level of funds to be retained for the Group's ongoing business development and general working capital purpose, we are of the view that the Agreement and the Acquisition is justifiable and fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

For details of the terms of the Agreement, please refer to the section headed "THE AGREEMENT" in the Letter from the Board. Set out below are the principal terms of the Agreement:

2.1 Subject matter

Pursuant to the Agreement, the Purchaser (a direct wholly-owned subsidiary of the Company) has conditionally agreed to acquire the remaining 70% of the issued share capital of the Target Company from the Vendor (the executive Director). Upon Completion, the Target Company will become a subsidiary of the Company.

2.2 Consideration

Pursuant to the Agreement, the Consideration is HK$80 million, which shall be paid and satisfied upon Completion in the following manner:

(a) as to HK$41 million by the issue of the Promissory Note by the Purchaser to the Vendor;

(b) as to HK$29 million, being the aggregate amount of the Assumed Liabilities that the Vendor is indebted to the Target Group, which will be assumed by the Purchaser upon Completion; and

(c) as to HK$10 million by cash.

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 preliminary valuation of 70% equity interest of the Target Group of approximately HK$84.2 million as at 2 September 2020 prepared by an independent valuer (the "**Valuer**") based on market approach, which represented a discount of approximately 5.0% to the valuation; (ii) the profit-making financial and operating performance of the Target Group for the three years ended 31 December 2017, 2018 and 2019; (iii) the Guaranteed Profits given by the Vendor; and (iv) the reasons for and benefits of the Acquisition as set out in the sub-section above headed "1.4 Reasons for and benefits of the Acquisition".

2.3 Profit guarantee and compensation

Pursuant to the Agreement, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited net profit after tax of the Target Group for the 12-month period from 1 April 2020 to 31 March 2021 (the "**Profit Guarantee Period**") as shown on its audited consolidated financial statements to be prepared in accordance with the HKFRS shall be no less than HK$17.0 million (the "**Guaranteed Profits**").

If the actual audited consolidated net profit after tax of the Target Group for the Profit Guarantee Period as shown on its audited consolidated financial statements to be prepared in accordance with HKFRS 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:

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

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 Compensation Sum shall be settled by the Vendor with the Purchaser by way of set off against the Promissory Note and any remaining balance shall be paid by the Vendor in cash. The Vendor shall settle and pay all relevant amount that is payable within 14 Business Days upon the issuance of the 2021 Audit. 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 Guaranteed Profits was arrived at after arm's length negotiations between the Parties with reference to (i) historical financial performance of the YH with profit-making record; and (ii) the business development and future prospect of the Target Group.

2.4 Principal terms of the Promissory Note

Issuer	the Purchaser
Principal amount	HK$41,000,000
Interest	3% per annum from the date of issue of the Promissory Note, subject to the PN Interest Arrangement (as applicable)
Maturity	2 years from the date of issue of the Promissory Note
Repayment	due and repayable on the Maturity Date
Transferability	the Promissory Note may only be transferable and assignable by the parties involved to any party with prior written approval
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

2.5 Condition 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 Agreement and the sale and purchase of the Sale Shares contemplated thereunder having been approved by the Independent Shareholders at the EGM in accordance with the Applicable Laws;

(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 Latest Practicable Date, 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 Purchaser) on or before the Long Stop Date, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and the Agreement.

Completion shall take place after all the conditions of the Agreement have been fulfilled.

3. Assessment of the principal terms of the Agreement

3.1 Independent valuations and evaluation of the Consideration

The Consideration was determined after arm's length negotiations primarily with reference to the independent preliminary valuation of 70% equity interest of the Target Group conducted by the Valuer as at 2 September 2020. Such valuation represents 70.0% of the market value of the business of the Target Group of approximately HK$84.2 million. Independent valuation of 70% equity interest of the Target Group as at 31 December 2020 conducted by the Valuer remained at HK$84.2 million (the "**Target Valuation**"). The Target Group also holds the Property with a market value of approximately HK$20.0 million (the "**Property Valuation**"). The text of the Target Valuation and the Property Valuation are set out in Appendix V and VI to the Circular, respectively.

(i) The Target Valuation

(a) Valuation approach and methodology

In the process of assessing the Target Valuation, we are advised by the Valuer that they have considered three generally accepted valuation approaches, namely the market approach, the income approach and the asset-based approach. In determining the Target Valuation, the Valuer considered that the market approach is the most appropriate one. In particular, the asset-based approach was not adopted primarily since the Valuer is of the view that the future growth potentials of the Target Group will not be captured in such a valuation. The income approach is also not considered appropriate, given this method requires significant level of judgements and more subjective assumptions to be made.

As a result, the market approach, which relates to the Target Valuation by primarily making reference with publicly traded comparable companies engaging in the similar industry of the Target Group, are used to arrive at the market value of the Target Group. In our view, we agree that it is not appropriate to use asset-based approach as the value of the Target Group depends on its earnings but not its asset base. We also consider that income approach requires numerous assumptions which are subjective in nature. As such, we concur with the view of the Valuer that market approach is an appropriate valuation approach to be adopted for the Target Valuation.

Under the said approach adopted, the Valuer has determined the price-to-earnings ratio (the "**P/E ratio(s)**") to be most appropriate in determining the value of the Target Group. For the purpose of independent assessment of the fairness and consideration of the Consideration, we have considered three most commonly used valuation methodologies, namely the P/E ratios, price-to-book ratios (the "**P/B ratio(s)**") and price-to-sales ratios (the "**P/S ratio(s)**"). As stated above, we consider that it is not appropriate to use P/B ratio as the value of the Target Group depends on its earnings but not its asset base. P/S ratio is also considered not to be appropriate as it fails to reflect the differences in cost structure across comparable companies. Given that (i) the usage of the P/E ratio is a widely used ratio under the market approach; (ii) the relevance of using the P/E ratio given the Target Group has been profitable in the latest financial year; and (iii) following discussions with the Valuer as to the rationale for using the P/E ratio, we concur with the Valuer that the usage of P/E ratio is a reasonable approach.

Furthermore, taking into account that (i) the Target Valuation is principally based on the Guaranteed Profits for a future period, which was primarily arrived at with reference to the historical financial performance of the Target Group with profit-making record, as well as the business development and future prospect of the Target Group that is demonstrated by (a) the substantial increase in the number of customers of YH by over 1.5 times as at 30 September 2020 as compared with that as at 30 September 2018; and (b) as mentioned in the sub-section above headed "1.3 (a) Outlook of the Financial Quotient and Investment Education Business", the continuing mission of IFEC to advance the financial literacy of the people of Hong Kong would raise their awareness to plan and manage their finances efficiently. According to the Hong Kong Strategy for Financial Literacy, a specialised committee launched and coordinated by the IFEC with the objective of improving financial literacy of Hong Kong people, raising awareness of the benefits of financial education is able to help individuals and families see the value of engaging in financial education, enhance the long-term consumer demand for such initiatives and increase the number of financial education initiatives offered and organisations involved. Thus, as a private organisation offering financial seminars in complex financial products, the continuing mission of IFEC to advance the financial literacy and raise people's awareness of financial education is expected to facilitate the business development of the Target Group; (ii) the remarkable growth of the Target Group which was illustrated by its established proven profit-making record over the past three years, with a substantial increase in net profit of the Target Group of approximately HK$14.1 million and HK$18.6 million in 2019 and 2020, as compared to that of approximately HK$1.4 million and HK$3.2 million in 2017 and 2018, respectively; and (iii) the encouraging outlook of the industry of the Financial Quotient and Investment Education Business in Hong Kong, which is expected to be facilitated by the general need and urgency to have the capabilities and confidence to manage finances for people in Hong Kong as mentioned in the sub-section above headed "1.3 (a) Outlook of the Financial Quotient and Investment Education Business"; we are of the view that forward P/E ratio ("**Forward P/E ratio(s)**"), which primarily takes into account the earnings for a coming financial period of a subject company, is an appropriate valuation methodology to be adopted for the use of the Guaranteed Profits to derive the Target Valuation.

Given (i) the net profit of the Target Group amounted to approximately HK$18.6 million for the year ended 31 December 2020, which is higher than the net profit of the Target Group of approximately HK$14.1 million for the full financial year in 2019 and the Guaranteed Profits; (ii) as stated in the Letter from the Board, YH recorded (a) revenue of approximately HK$11.4 million and HK$29.0 million in 2018 and 2019 respectively, which represented a growth of approximately 1.5 times in 2019; and (b) net profit after tax of approximately HK$4.2 million and HK$10.9 million in 2018 and 2019 respectively, represented a growth of approximately 1.5 times in 2019, suggesting that the historical performance cannot reflect the future potential growth of the Target Group; and (iii) the encouraging outlook of the industry of the Financial Quotient and Investment Education Business in Hong Kong as mentioned in the above paragraph, we consider that the it is reasonable to derive the Target Valuation with reference to the Guaranteed Profits when compared to historical financial information.

As advised by the Valuer, the forecast earnings adopted under the Forward P/E ratio is based on the estimation of profit of the respective comparable companies in the fiscal year of 2021 as extracted from the Bloomberg. As the forecast earnings of the Target Group and comparable companies are of comparable period of fiscal year of 2021, and both represent the forecasted financial net profit, we consider that the basis of determining the forecast earnings is consistent among the comparable companies. For the part of the Target Valuation, it is based on the Guaranteed Profits, which in our view, is reasonable on the basis of the established proven profit-making record of YH over the past three years and its remarkable growth in net profit since 2019. For the part of the comparable companies, the Valuer adopted the respective forecast earnings as stated in Bloomberg, which are respective arithmetic averages of analyst estimates in the comparable companies. Given that it is our understanding that the forecast future earnings for the coming financial period for a specific company generally represents the average views of analysts on the market, we are of the view that the adoption of the forecast earnings of the fiscal year of 2021 for the Target Group and the comparable companies by the Valuer are justifiable. Furthermore, on the basis that (i) the forecast earnings of the Target Group (i.e. the Guaranteed Profits) and that of comparable companies are of comparable period of fiscal year of 2021; (ii) the forecast earnings for the coming financial period of the comparable companies as found on Bloomberg generally represents an arithmetic average of analyst estimates, which reflects the expected value from the market on the forward P/E ratios to the comparable companies as the Target Group, we consider the use of forward P/E ratios which is referenced to that of the comparable companies is appropriate for the Target Valuation.

(b) Selection criteria of the comparable companies and relevant adjustments on the Target Valuation

As set out in Appendix V to the Circular, given that there is no company to be exactly the same as the Target Group, in assessing the Target Valuation, the Valuer has identified 13 comparable companies as a reference for determining the Consideration, primarily based on the following selection criteria:

(A) The companies are principally engaged in provision of higher education services;

(B) The companies are operated in China or Hong Kong and publicly listed in Hong Kong; and

(C) Sufficiency of information (such as listing and operating histories and availability of the financial information to the public).

We have reviewed the above selection criteria of comparable companies as adopted by the Valuer by carrying out our own independent research. On the basis that (i) the Target Group's business model is primarily the offering of seminars which normally generates revenue from membership package fees, and we could not identify any of such companies listed in Hong Kong having exactly the same business as the Target Group; and (ii) the customers of the Target Group are primarily within age groups from 25 to 60 years old, we consider the provision of higher education or continuing education services, which generally covers students of post-secondary school education and primarily generate revenue from tuition fees, are comparable to the business model of the Target Group, and accordingly forms part of our selection criteria of comparable companies. Based on the aforesaid, we have tried to identify comparable companies on Bloomberg that (a) are listed in Hong Kong; (b) are engaged in the provision of higher education or continuing education services; (c) over 50% of the revenue are generated from Hong Kong; and (d) are profit making in its respective latest financial year. However, we cannot identify any companies listed in Hong Kong which meet our selection criteria. In order to generate a meaningful comparison with reasonable sample size, taking into account that (i) the comparability of business model between the provision of seminars and higher education or continuing education services in light of its (a) revenue stream which primarily comprises upfront payment on membership/tuition fees and (b) customer bases which both mainly cover adult; (ii) the majority of listed companies in Hong Kong which are engaged in higher education or continuing education services are having their principal operation in China; and (iii) our belief that companies listed in Hong Kong are generally subject to the same market sentiment and provides a more comparable market valuation of companies with similar business of the Target Group; we have extended our criteria to the companies with over 50% of the revenue generated from China while keeping the aforesaid criteria (a), (b) and (d) unchanged.

In terms of the nature of services and geographical locations of operation, the comparable companies are principally engaged in the provision of higher education, vocational education and professional education and mainly operated in the PRC while the Target Group is principally engaged in the provision of financial quotient and investment experience-sharing seminars in Hong Kong. Despite the different business operation or geographical locations of operation of the comparable companies from the Target Group, we consider that the comparable companies are comparable to the Target Group as the business model of school/university operators which primarily offer degree/diploma program and vocational/higher education services that generate revenue primarily in the form of the tuition fees is similar to that of the Target Group which primarily generates revenue from membership package fees through the offering of investment seminars. In addition, the target customers of the comparable companies are mainly adults from diverse background since the university participants are normally over 18 and those who take vocational and/or professional education can be from various background, which are similar to that of the Target Group. Overall speaking, we consider that business model is the main driver of value of a company. We could not identify any Hong Kong listed companies having higher education or continuing education services with principal operation in Hong Kong. Due to the business models of the comparable companies and the Target Group are comparable, we consider that the comparable companies are close proxies to appraise the value of the Target Group.

By using such selection criteria which matches with those as adopted by the Valuer, we have then identified 13 comparable companies which are the same with those identified by the Valuer as set out in Appendix V to the Circular. As such, we consider that no other suitable comparable company is omitted and our independent research results are identical to those provided by the Valuer. Accordingly, we are of the view that the list of comparable companies analysed by the Valuer for the purpose of preparing the Target Valuation are representative and exhaustive.

Taking into consideration that the Target Group is principally engaged in the provision of education services and there are no profit-making comparable companies which are principally engaged in provision of education services in Hong Kong, we consider that the selection criteria of the comparable companies adopted by the Valuer are appropriate.

As advised by the Valuer, due to the differences in size between the Target Group and comparable companies, the Forward P/E ratios of each comparable companies have been adjusted with the size premium according to the size difference between the Target Group and comparable companies in order to derive an adjusted Forward P/E ratio (the "**Adjusted Forward P/E ratio(s)**"). In deriving the size premium of different comparable companies, the Valuer has made reference to the "2017 Valuation Handbook -U.S. Guide to Cost of Capital" by Duff & Phelps, which allocates the size premium based on different market capitalisation of companies. The Valuer then compares the size premium of the Target Group and each comparable company to derive the size adjustment. Such size adjustment adopted by the Valuer for the purpose of valuing the Target Group is, in our view, reasonable, given (i) the vast differences in size between the Target Group and the exhaustive list of comparable companies, in particular the size of the Target Group are much smaller than those comparable companies and as such a size adjustment should be imposed to address the size difference; and (ii) discussions with the Valuer as to the rationale for using adopting such size adjustment.

According to the valuation report of the Target Valuation as set out in Appendix V to this Circular, the Consideration implies a median of an Adjusted Forward P/E ratio of approximately 6.8 times, which is within the range of 5.23 times to 8.48 times of the comparable companies as adopted by the Valuer and calculated with reference to the Guaranteed Profits of HK$17.0 million. Given (i) the net profit of the Target Group amounted to approximately HK$14.1 million in 2019, which exceeded the 2019 Guaranteed Profits of no less than HK$9 million as stated in the Previous Acquisition; and (ii) according to the management account of the Target Group provided by the Company, the net profit of the Target Group amounted to approximately HK$14.2 million for the nine months ended 31 October 2020, which is in line with the Guaranteed Profits on a twelve month basis, we consider that the Guaranteed Profits of HK$17.0 million is justifiable. The Target Valuation is then further adjusted by a control premium of 30.0% and a marketability discount of 20.0%, as follows:

	Approximately
Guaranteed Profits *(HK$ million)*	17.0
A median of an implied Adjusted Forward P/E ratio for the acquisition of the business of the Target Group	6.8
Marketability discount	20%
Control premium	30%
Consideration for 100.0% equity interest of the Target Group	**120.2**
Consideration – on a 70.0% basis	84.2

As seen from the above table, the Valuer has taken into consideration of control premium and marketability discount in arriving the Target Valuation. According to the Valuer, the control premium of 30.0% is adopted in determining the Consideration, since the value of the controlling interest in a company is usually higher than the minority interest, in view of the greater power to control the company for controlling shareholders. Given that (i) the Target Group will be wholly-owned by the Company upon the completion of the Acquisition, the Group can obtain the full control of the Target Group, which include, among others, the direction and business development of the Target Group, the influence on the Target Group will be significantly enhanced following the completion of the Acquisition; (ii) a control premium is adopted which serves to reflect the compensation of a controlling interest compared to a minority interest, for example, controlling shareholders have more power to select directors and management; and (iii) the Valuer has made reference to the "Control Premium Study 2nd quarter 2018" by FactSet Mergerstat, LLC. in 2018, which indicated control premium of approximately 30%, we consider that the control premium adopted by the Valuer in the determination of the Consideration is reasonable.

Furthermore, the Valuer applies a 20.0% marketability discount to the Target Valuation. The use of such marketability discount adopted by the Valuer for the purpose of valuing the Target Group is, in our view, reasonable, given (i) the shares of the Target Group is not being publicly tradable; (ii) the Valuer has made reference to the "Stout Restricted Stock Study Companion Guide" by Stout Risius Ross, LLC. in 2019, which indicated the discount for lack of marketability of approximately 20%; and (iii) discussions with the Valuer as to the rationale for using such marketability discount.

(ii) Valuation of the Property

In valuing the Property, the Valuer has adopted the direct comparison approach. Under this approach, the Valuer assumes sale of the Property in its existing state with the benefit of vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Given that (i) it is not uncommon to value the properties of similar nature using the direct comparison approach based on our discussion with the Valuer; (ii) the independent valuation by direct comparison approach principally consists of objective benchmarks such as the comparison and reference with the recent transaction prices of properties with comparable location to the Property, we consider that the adoption of direct comparable approach is the most appropriate way in assessing the Property Valuation.

As stated in the Letter from the Board, the Group intends to hold the Property for investment purpose to capture potential capital appreciation in the future and/or to receive rental income. In our view, (i) the Property Valuation of HK$20.0 million as at 31 December 2020 already exceeds the related mortgage loan of approximately HK$11.2 million as at 31 December 2020 as set out in the Appendix II to the Circular, which essentially represents a positive net asset to the Group after the Acquisition; (ii) the Consideration of the Acquisition was based on the Target Valuation without taking into account the Property Valuation, which has the effect of acquiring the Property at zero consideration. As stated in the Appendix VI to the Circular, the Property is currently leased out for rental income for a term of 1 year until 31 August 2021. The mortgage loan, which was drawn down for a term of 1 year, shall be fully repayable by 25 March 2021 based on our review of the monthly repayment schedule of the mortgage loan agreement. Since (i) the rental income of the Property covers approximately half of the monthly mortgage loan interest with the resulting net cash outflow of approximately HK$50K per month, which is considered immaterial to the Group after the Acquisition having considered the unaudited pro forma cash balance of the enlarged Group of approximately HK$38.9 million as at 30 September 2020 as stated in Appendix IV to the Circular; (ii) the repayment of the mortgage loan principal of approximately HK$11.2 million can be covered by the enlarged Group's cash balance as aforesaid; and (iii) the Property can be transacted in the market at the Property Valuation of HK$20.0 million, which effectively represented a positive cash inflow to the enlarged Group after netting off the mortgage loan of the Property, we consider the repayment of the mortgage loan of the Property has no material adverse impact to the Group. Considering the reasons and benefits brought by the Acquisition as set out in the sub-section above headed "1.4 Reasons for and benefits of the Acquisition", overall speaking, we consider the terms of the Acquisition to be justifiable.

Based on our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the Target Valuation and the Property Valuation. The Valuer has carried out inspections, made relevant enquiries and searches for the purpose of the Target Valuation and the Property Valuation. We have reviewed and discussed with the Valuer the bases and assumptions adopted for the Target Valuation and the Property Valuation. We consider that the assumptions adopted by the Valuer are fair and reasonable and the bases used are normal ones for valuing the Target Group and the Property. We have also performed work as required under note (1)(d) to Rule 17.92 of the Listing Rules in relation to the Valuer and its work as regards the Target Valuation and the Property Valuation.

(iii) Evaluation of the Consideration

The consideration of HK$80.0 million was mutually agreed by both parties under the Agreement which was determined after arm's length negotiations between the Vendor and the Purchaser, after taking into account, amongst other things, (i) the business prospect and financial performance of the Target Company, including the (a) rapid growth of revenue of YH from approximately HK$11.4 million in 2018 to approximately HK$29.0 million in 2019, which represented a year-on-year growth of 154.4%; (b) rapid growth of net profit after tax of YH from approximately HK$4.2 million in 2018 to approximately HK$10.9 million in 2019, which represented a year-on-year growth of 159.5%; and (c) the unaudited net profit of YH for the year ended 31 December 2020 of approximately HK$19.6 million according to its management accounts for the year ended 31 December 2020; (ii) Guaranteed Profits of HK$17.0 million for the twelve months period of 1 April 2020 to 31 March 2021, including YH's achievement of the 2019 Guaranteed Profits; and (iii) a discount of approximately 5.0% to the Target Valuation of 70.0% equity interest as at 31 December 2020. Having considered the strong growth of the Target Company, together with the compensation mechanism in case of any shortfall in the Guaranteed Profits as set out in the sub-section below headed "3.2 Compensation mechanism", we consider the terms under the Agreement are fair and considerable.

The Consideration of HK$80.0 million for the Acquisition, on the basis of 100% equity interest of YH, is higher than that of HK$15.4 million for the Previous Acquisition. Compared to the Previous Acquisition, the Consideration takes into account, among others, the future growth prospects of the Target Group, the audited revenue of the Target Group in 2019 of approximately HK$30.7 million and the audited net profit after tax attributable to owners of the Target Company in 2019 of approximately HK$14.1 million. In our view, the higher valuation under the Acquisition as compared to the Previous Acquisition principally reflects the profit growth of the Target Company.

In view of (i) the benefits of the Acquisition including the broadening of revenue base of the Group and the profit-making record of the Target Group as discussed in the sub-section above headed "1.4 Reasons for and benefits of the Acquisition"; (ii) the Target Group has been profit making with growth of approximately 196.5% in revenue and approximately 874.7% in net profit after tax from 2018 to 2019, and the Acquisition has the potential to contribute positively to the Group's future results; (iii) there is a compensation mechanism in place as further discussed in the sub-section below headed "3.2 Compensation mechanism" which effectively safeguards the Company's interest in the Acquisition; and (iv) the adoption of a median of an Adjusted Forward P/E ratio in the Target Valuation with appropriate adjustments made, we consider the Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.2 Compensation mechanism

As set out in the sub-section above headed "2.3 Profit guarantee and compensation", the Consideration shall be adjusted if the Actual Profits for the Profit Guarantee Period is less than the Guaranteed Profits, and the Company will be compensated with an amount equal to the shortfall equal to the Compensation Sum.

According to the compensation mechanism, if the Actual Profits is equal to or higher than the Guaranteed Profit, the Consideration will remain as calculated pursuant to the Agreement without any adjustment in the Consideration.

On the basis that (i) the Compensation Sum shall be settled by the Vendor by way of setting off against the Promissory Note and any remaining balance shall be paid by the Vendor in cash; (ii) there will be no upward adjustment in the Consideration if the Actual Profits are equal to or exceeds the Guaranteed Profit which is in favour of the Group, we consider the compensation mechanism to be a reasonable commercial term and in the interests of the Company and the Shareholders as a whole.

3.3 Promissory Note

In respect of the settlement method of the Consideration, we have firstly compared the Promissory Note against other possible means for settlement of the Consideration of the Acquisition (including but not limited to cash, issue of consideration shares and convertible bonds, equity financing such as placing of new shares and rights issue/open offer). Taking into account the facts that settling the Consideration by way of (i) solely on cash would incur an immediate impact on the working capital of the Group as the cash and cash equivalents of the Group was approximately HK$45.3 million as at 30 September 2020 which is not sufficient to settle the Consideration and the Company needs to maintain flexibility by keeping sufficient cash and cash equivalents for its operations; (ii) issue of consideration share and/or convertible bonds would dilute the shareholding of the existing Shareholders; (iii) rights issue will not result in any dilution to shareholdings but it would require finding a suitable underwriter and the fund raising exercise would be more costly and time consuming; and (iv) issue of the Promissory Note would, on the contrary, not incur an immediate impact on the working capital of the Group nor dilute the shareholding of the existing Shareholders, we are of the view that settling the Consideration by way of issue of the Promissory Note is in the interests of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness on the terms of the Promissory Note, we have conducted search on the website of the Stock Exchange for relevant transactions which involved the issue of promissory note for acquisitions, announced by companies listed on the Stock Exchange (the "**PN Comparables**") during the one year prior to 27 October 2020 (being the date of the Agreement) (the "**Comparable Period**"). In our assessment, we have attempted to identify an exhaustive and complete list of five PN Comparables.

We consider that the PN Comparables (i) adequately covered the prevailing market conditions and sentiments in the Hong Kong capital market; (ii) such period provides a general reference of the recent promissory notes transactions being conducted under similar market conditions; and (iii) the number of the PN Comparables identified demonstrate the market practice during the period and allow the Independent Shareholders to have a general understanding of recent issues of promissory note being conducted in the capital market of Hong Kong. Therefore, we consider the Comparable Period sets an appropriate basis for our analysis and that the PN Comparables represent fair and representative samples. Shareholders should note that the businesses, operations and prospects of the Company may not be the same as, or even substantially vary from, that of the PN Comparables, and we have not conducted any detailed investigation into the respective businesses and operations of the PN Comparables. Set out below is the summary of the PN Comparables:

Date of announcement	Stock code	Company name	Term (years)	Interest rate per annum (%)
23 October 2020	1101	China Huarong Energy Company Limited	2	0
7 July 2020	3344 *(Note)*	GTI Holdings Limited	2	2
29 June 2020	542 *(Note)*	TFG International Group Limited	3	9
24 June 2020	2019	Dexin China Holdings Company Limited	1	1.17
23 March 2020	1106	Ming Lam Holdings Limited (formerly known as Sino Haijing Holdings Limited)	1	6
		Maximum	3	9
		Minimum	1	0
		Mean	1.8	3.6
		Median	2	2
		Promissory Note	2	3

Note: This comparable was an acquisition involving an issue of promissory note to connected person(s).

Among the PN Comparables, we noted that the term of the PN Comparables ranged from 1 year to 3 years, with a mean and median term of 1.8 years and 2 years respectively. The term of the Promissory Note is 2 years, which is within the range and comparable to the median of the PN Comparables.

In addition, we noted that the interest rates of the PN Comparables ranged from nil to 9%, with an average and median of approximately 3.6% and 2% respectively. The interest rate of the Promissory Note of 3% per annum is within the range of interest rates of the PN Comparables and lower than the average rate.

In view of the above and taking into account the reasons for and benefits of the Acquisition as discussed in the sub-section above headed "1.4 Reasons and benefits for the Acquisition", we are of the view that the principal terms of the Agreement including the Consideration and the interest rate and the term of the Promissory Note are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Financial effects of the Acquisition

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Group.

(i) Net asset

According to the 2020 Interim Report, the unaudited total assets and liabilities of the Group was approximately HK$203.3 million and HK$140.3 million respectively as at 30 September 2020. As set out in Appendix IV to the Circular, assuming Completion took place on 30 September 2020, the unaudited pro forma consolidated total assets and liabilities of the Enlarged Group would be increased by approximately HK$97.2 million and approximately HK$81.8 million respectively as a result of the Acquisition, resulting in a net increase of the unaudited pro forma net asset of the Target Group, primarily attributable to the recognition of goodwill as a result of the Acquisition.

(ii) Earnings

According to the Accountants' Report of the Target Group as set out in Appendix II to the Circular, the Target Group recorded an audited profit for the year of approximately HK$18.6 million for the year ended 31 December 2020. Upon Completion, the Target Group will become a subsidiary of the Company and results of the Target Group will be consolidated into the results of the Group. The Directors consider that the Acquisition will bring positive contribution to the revenue and earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

(iii) Working capital

The Group had cash and cash equivalents of approximately HK$45.3 million as at 30 September 2020, as disclosed in the 2020 Interim Report. Assuming Completion took place on 30 September 2020, the unaudited pro forma consolidated cash and cash equivalents of the Enlarged Group were approximately HK$38.9 million as set out in Appendix IV to the Circular. We also noted from the section headed "3. Working capital" in Appendix I to the Circular that the Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

In light of the above, we are of the view that the Acquisition and the transactions contemplated thereunder will have an overall positive financial effect on the Group.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation in respect of the Acquisition, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- The Acquisition allows the Group to continue to consolidate the Financial Quotient and Investment Education Business, in view of the fact that its existing business segments generally remained stagnant and the positive financial performance of the Financial Quotient and Investment Education Business contributed to the Group since the second quarter of 2019;

- The encouraging outlook of the industry of the Financial Quotient and Investment Education Business in Hong Kong as mentioned in the sub-section above headed "1.3 (a) Outlook of the Financial Quotient and Investment Education Business";

- The entering into the Agreement is in line with the business strategies of the Group and serves to diversify the existing businesses and broaden the revenue base of the Group;

- The principal terms of the Agreement, which include, among others, (i) the compensation mechanism; and (ii) terms of the Promissory Note, are both fair and reasonable terms. The implied Adjusted Forward P/E ratio of the Acquisition represents a median of those of the comparable companies. The Consideration also represents a discount of approximately HK$4.2 million (or approximately 5.0%) to the Target Valuation; and

- The Acquisition will contribute positively to the future revenue and earnings of the Group, and do not have material adverse financial impact on the Group.

Based on the above, we are of the view that the terms of the Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Acquisition is in the ordinary and usual course of business of the Company, and is in the interests of the Company and its shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the Acquisition.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020 are disclosed in the annual report of the Company for the years ended 31 March 2018 (pages 72 to 182), 2019 (pages 53 to 217) and 2020 (pages 52 to 225) and in the interim report of the Company for the six months ended 30 September 2020 (pages 4 to 52) respectively, which are published on both the GEM website (http://www.hkgem.com) and the website of the Company (http://www.lna.com.hk). Please refer to the hyperlinks as stated below:

2018 annual report:
https://www1.hkexnews.hk/listedco/listconews/gem/2018/0817/gln20180817001.pdf

2019 annual report:
https://www1.hkexnews.hk/listedco/listconews/gem/2019/0702/gln20190702001.pdf

2020 annual report:
https://www1.hkexnews.hk/listedco/listconews/gem/2020/0629/2020062900017.pdf

2020 interim report:
https://www1.hkexnews.hk/listedco/listconews/gem/2020/1113/2020111300273.pdf

2. STATEMENT OF INDEBTEDNESS

As the close of business on 31 January 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following indebtedness:

(a) outstanding mortgage loan of approximately HK$11.2 million, of which the mortgage loan with an aggregate amount of approximately HK$11.2 million was secured by the Enlarged Group's investment property;

(b) current and non-current lease liabilities amounted to approximately HK$1.1 million and HK$2.0 million, respectively;

(c) outstanding consideration payable amounting to HK$33.3 million in respect of the consideration of purchasing the entire share capital of Bewisekid Holding Limited. The consideration shall be settled by way of issue and allotment of shares within 7 Business Days after the determination of the actual audited consolidated net profit after tax of the Bewisekid Holding Limited and its subsidiary for the year ending 31 March 2021; and

(d) a provision for litigation amounted to HK$1.7 million in relation to a repudiatory breach of tenancy agreement as disclosed in section headed "9. Litigation" of Appendix VII.

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debentures issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 January 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of the publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Company is an investment holding company. The Group is principally engaged in (i) the manufacturing and sales of OEM garment products (the "**OEM Business**"); (ii) retailing and wholesaling of garment products under the Group's own brand and high-end fashion brand (the "**Retail Business**"); (iii) provision of loan services (the "**Money Lending Business**"); (iv) wholesaling of seafood (the "**Wholesaling Business**"); (v) the Business; and (vi) property investment (the "**Property Investment Business**").

OEM Business

The garment sector of the consumer market has experienced a downturn in recent years. Nonetheless, the Group had stepped up the efforts in securing new customers and orders, controlling expenses and looking for ways to improve the business. During the six months ended 30 September 2020, the Group continued to implement the operation model by placing orders with other OEM manufacturers, while maintaining the quality control standard, which attributed to the substantial reduction in the cost of operation.

The management of the Group (the "**Management**") is committed to strengthening the customer base. The Group will continue to find new orders and customers. Also, with the implementation of the OEM operation model, the Management expects that there will be a better control of costing.

Retail Business

During the six months ended 30 September 2020, the Retail Business had generated revenue of approximately HK$240,000 (2019: HK$4,665,000), representing a substantial decrease of approximately 94.9%. This was mainly due to the outbreak of the coronavirus in Hong Kong.

The Management will closely monitor the consumers' behaviour and will continue the promotion campaigns. The Management is also closely monitoring the movement of rental for the retail outlets and will adjust the business plan for the Retail Business if necessary. Despite the uncertainties, the Management still remains positive towards the Retail Business in the long run.

Money Lending Business

The Group obtained the money lender licence and commenced Money Lending Business from June 2016. During the six months ended 30 September 2020, the Money Lending Business had generated interest income of approximately HK$1.7 million, representing an increase of approximately 17.8% compared to the figure of the last period. The Group will continue to expand the Money Lending Business in a prudent and balanced risk management approach.

Wholesaling Business

The Wholesaling Business commenced operation during the year ended 31 March 2019. During the six months ended 30 September 2020, the revenue generated from Wholesaling Business was reduced to nil. This was mainly due to the outbreak of the coronavirus in Hong Kong.

The Business

During the year ended 31 March 2020, the Group established the Business. The Group provides financial quotient and investment education courses for the customers, aiming at enhancing their knowledge in the areas of finance and investment.

The Group in return earns tuition fee income from the provision of such courses. Certain courses were completed with outstanding results and revenue of approximately HK$20.8 million was generated during the six months ended 30 September 2020.

The Group will (i) invest resources to expand the share in the financial quotient and investment education market, and (ii) strive to broaden its customer base.

As disclosed in the paragraph headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board, the Board believes that the Acquisition represents a good opportunity for the Group to convert the Target Company from an associate to a subsidiary and will help the development and expansion of the Business and is in line with the Group's development strategy in the Business. The Directors consider that the Acquisition would enable the Group to broaden the revenue base of the Group and will bring positive influence to the financial results of the Group.

Property Investment Business

The Group also established the Property Investment Business during the year ended 31 March 2020. The Group acquired a property in Japan in June 2019. The appreciation potential of the property acquired is expected to be promising.

The Group will continue to seek opportunities of asset appreciation and cash flow return in the property market within Hong Kong and in the Asia-Pacific region.

6. MATERIAL ACQUISITION

On 10 August 2020, the Group completed the acquisition (the "**BH Acquisition**") of the entire issued share capital of Bewisekid Holding Limited ("**Bewisekid**") for the consideration of HK$33,250,000 (subject to downward adjustment) which shall be settled by way of issue and allotment of 246,296,296 consideration shares (or the adjusted number of the consideration shares in the event that the guaranteed profits is not satisfied) at the issue price of HK$0.135 per consideration share. Bewisekid is an investment holding company and its subsidiary, Be Wise Kid Education Limited is principally engaged in provision of seminars on the UK property investment experience sharing 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. Details of the BH Acquisition were set out in announcements of the Company dated 11 May 2020, 30 June 2020, 13 July 2020, 4 August 2020 and 10 August 2020.

On 17 August 2020, the Group completed the acquisition (the "**ZG Acquisition**") of the entire issued share capital of Zone Galaxy Limited ("**Zone Galaxy**") for the consideration of HK$40,000,000 which was satisfied by the issue of the promissory note. Zone Galaxy is an investment holding company and its subsidiary, Freemaker Institute Limited is principally engaged in provision of financial quotient and securities investment experience-sharing seminars and relevant value-added services in Hong Kong, together with the provision of activities introducing memory improvement and speed-reading technique. Details of the ZG Acquisition were set out in announcements of the Company dated 17 August 2020 and 16 December 2020.

There is no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of the BH Acquisition and ZG Acquisition.

Save for the BH Acquisition and the ZG Acquisition as disclosed above (other than the Acquisition which is the subject of this circular), after 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up), none of the members of the Group had acquired or agreed to acquire or was proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or the next published accounts of the Group.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF PRESTIGE CONCORD LIMITED TO THE DIRECTORS OF L & A INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Prestige Concord Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-5 to II-33, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group, for each of the years ended 31 December 2018, 2019 and 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-5 to II-33 forms an integral part of this report, which has been prepared for inclusion in the circular of L & A International Holdings Limited (the "**Company**") dated 15 March 2021 (the "**Circular**") in connection with the proposed acquisition of 70% share capital of the Target Company (the "**Proposed Acquisition**").

Sole Director's responsibility for the Historical Financial Information

The sole director of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation as set out in Note 2 to the Historical Financial Information and for such internal controls as the sole director of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, for the purposes of this report and on the basis of presentation and preparation set out in Note 2 to the Historical Financial Information, the Historical Financial Information gives a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2018, 2019 and 2020 and of the Target Group's financial performance and cash flows for the Track Record Period.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

No statutory financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

McM (HK) CPA Limited
Certified Public Accountants

Wong Ka Bo, Jimmy
Practising Certificate Number: P07560
Hong Kong
15 March 2021

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Target Group, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years ended 31 December		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*7*	10,356	30,701	37,159
Other income and gains, net	*7*	597	1,919	3,147
Gain from disposal of non-core business subsidiaries	*31*	–	2,533	–
Administrative and operating expenses		(9,327)	(19,840)	(17,460)
(Provision)/reversal for expected credit losses		(376)	682	367
Gain/(loss) on disposal of financial assets through profit or loss		13	(57)	–
Fair value changes of financial assets through profit or loss		(8)	(33)	–
Finance costs	*8*	(23)	(16)	(1,047)
Profit before taxation	*9*	1,232	15,889	22,166
Income tax expense	*11*	(607)	(2,062)	(3,571)
		625	13,827	18,595
Profit/(loss) and total comprehensive income/(expenses) for the year attributable to:				
Owners of the Target Company		1,444	14,074	18,595
Non-controlling Interests		(819)	(247)	–
		625	13,827	18,595

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant, and equipment	*13*	310	444	329
Investment property	*14*	–	–	15,465
Right of use of assets	*16*	82,048	296	647
		82,358	740	16,441
Current assets				
Other receivables, prepayments, and deposits	*17*	19,005	13,937	2,769
Amount due from a shareholder	*18*	6,993	16,513	29,000
Financial assets at fair value through profit or loss ("**FVPL**")	*19*	599	–	–
Amounts due from related companies	*18*	–	–	6,775
Cash and cash equivalents	*15*	2,828	139	6,644
		29,425	30,589	45,188
Current liabilities				
Other payables and accruals	*20*	47,548	11,441	1,823
Amount due to related companies	*18*	–	225	10,387
Lease liabilities	*21*	527	298	424
Contract liabilities	*22*	4,208	11,554	10,159
Borrowings	*23*	115	119	11,220
Tax payable		1,280	3,265	4,998
		53,678	26,902	39,011

		As at 31 December		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Net current assets/(liabilities)		(24,253)	3,687	6,177
Total asset less current liabilities		58,105	4,427	22,618
Non-current liabilities				
Lease liabilities	*21*	–	–	227
Borrowings	*23*	139	20	–
Deferred tax liabilities	*24*	46	38	26
		185	58	253
Net (liabilities)/assets		57,920	4,369	22,365
Capital and reserves				
Share capital	*25*	–	8	8
Reserves		1,263	4,361	22,356
Total equity attributable to owners of the Target Company		1,263	4,369	22,364
Non-controlling interests		56,657	–	1
Total (deficiencies in assets)/equity		57,920	4,369	22,365

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	**2020**
	Note	*HK$'000*	*HK$'000*
Non-current assets			
Investment in subsidiaries		150	16,150
		150	16,150
Current assets			
Deposits		4,800	–
Amount due from a related company		–	180
Amount due from a director		1,258	1,078
		6,058	1,258
Current liabilities			
Amount due to subsidiaries		4,250	16,969
		4,250	16,969
Current assets less current liabilities		1,808	(15,711)
Net assets		1,958	439
Capital and reserves			
Share capital	*25*	8	8
Reserves		1,950	431
Total equity		1,958	439

CONSDOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Target Company					
	Share capital	Merger reserve	(Accumulated losses)/ Retained earnings	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	–	150	(114)	36	(45)	(9)
Final dividend *(note 12)*	–	–	(217)	(217)	–	(217)
Capital contribution from non-controlling shareholders	–	–	–	–	57,521	57,521
Profit/(loss) and total comprehensive income/ (expense) for the year	–	–	1,444	1,444	(819)	625
As at 31 December 2018 and 1 January 2019	–	150	1,113	1,263	56,657	57,920
Share issued of the Target Company *(note 25)*	8	–	–	8	–	8
Restructuring	–	(150)	–	(150)	–	(150)
Disposal of non-core business subsidiaries *(note 31)*	–	–	–	–	(56,410)	(56,410)
Final dividend *(note 12)*	–	–	(10,826)	(10,826)	–	(10,826)
Profit/(loss) and total comprehensive income for the year	–	–	14,074	14,074	(247)	13,827
As at 31 December 2019 and 1 January 2020	8	–	4,361	4,369	–	4,369
Interim dividend *(note 12)*	–	–	(600)	(600)	–	(600)
Capital contribution from non-controlling shareholders	–	–	–	–	1	1
Profit and total comprehensive income for the year	–	–	18,595	18,595	–	18,595
As at 31 December 2020	8	–	22,356	22,364	1	22,365

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*
Operating activities				
Profit before tax		1,232	15,889	22,166
Adjustments for:				
Depreciation of property, plant and equipment		40	93	115
Depreciation of investment property		–	–	535
Depreciation of right-of-use assets		2,706	1,869	812
Provision/(reversal) for expected credit losses		376	(682)	(367)
Finance costs		23	16	1,044
Bank interest income		(10)	(5)	(1)
Gain from disposal of non-core business subsidiaries	*31*	–	(2,533)	–
(Gain)/loss on disposal of financial assets through profit or loss		(13)	57	–
Fair value changes of financial assets through profit or loss		8	33	–
Operating profit before working capital change		4,362	14,737	24,304
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		(4,166)	1,173	11,876
Increase/(decrease) in accruals and other payables		4,807	(5,761)	(11,467)
Increase/(decrease) in contract liabilities revenue		(370)	7,346	(1,395)
Net cash generated from/(used in) operating activities		4,633	17,495	23,318

	Note	2018 HK$'000	2019 HK$'000	2020 HK$'000
Investing activities				
Bank interest received		10	5	1
Net cash outflow for disposal of non-core business subsidiaries	*31*	–	(855)	–
Proceeds from disposal of financial assets at fair value through profit or loss		201	483	–
Purchase of financial assets at fair value through profit or loss		(792)	(56)	–
Disposal of unlisted investments		–	4	–
Purchase of investment property		–	–	(16,000)
Purchases of items of property, plant and equipment		(345)	(227)	–
Net cash used in investing activities		(926)	(646)	(15,999)
Financing activities				
New borrowings raised with licensed lender		254	(115)	11,200
Repayment of borrowings with licensed lender		–	–	(119)
Principal portion of lease payment		(1,043)	(1,095)	(812)
Interest portion of lease liabilities		(13)	(9)	(11)
Interest paid		(10)	(7)	(1,033)
Dividend paid		–	(1,400)	(600)
Advance from a former shareholder		–	–	–
Advance to related companies		–	224	3,387
(Advance to)/repayment from directors		(1,340)	(17,136)	(12,826)
Advance from an associated company		(1,018)	–	–
Net cash used in financing activities		(3,170)	(19,538)	(814)

	Note	2018 HK$'000	2019 HK$'000	2020 HK$'000
Net increase/(decrease) in cash and cash equivalents		537	(2,689)	6,505
Cash and cash equivalents at beginning of year		2,291	2,828	139
Cash and cash equivalents at end of year		2,828	139	6,644
Analysis of the balances of cash and cash equivalents		–	–	–
Bank and cash balances	*15*	2,828	139	6,644

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a company incorporated in the British Virgin Islands with limited liability whose principal business activity is investment holding.

The Target Company is an investment holding company which has not carried on any business, since the date of its incorporation save for group restructuring ("**Restructuring**") described below, except for acquiring an investment property located in Hong Kong subsequently on 24 January 2020. The Target Company and its subsidiaries (collectively referred as the "**Target Group**") are principally engaged in provision of financial quotient and investment experience-sharing seminars in Hong Kong. The Target Group currently holds the experience-sharing seminars (the "**Seminars**") and consulting services, which mainly cover (i) property investment; (ii) securities investment; and (iii) financial quotient in Hong Kong.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Target Group.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the announcement dated 27 October 2020, Able Glorious Limited (the "**Purchaser**") entered into an acquisition agreement to conditionally to acquire the 70% share capital of the Target Company from Mr. Yuen Yu Sum (the "**Vendor**").

Prior to the incorporation of the Target Company, the above-mentioned principal activities were carried out by YH Group Limited and its subsidiaries. To rationalise the corporate structure in preparation of the acquisition of the Target Company's shares, the Target Group underwent the Restructuring. Upon the completion of the Restructuring on 23 September 2019, the Target Company became the holding company of the subsidiaries now comprising the Target Group.

As YH Group Limited was controlled by Mr. Yuen Yu Sum before and after the Restructuring and therefore there were no changes in the economic substance of the ownership and the business of the Target Group. The Restructuring only involved inserting an investment holding entity with no substantive operations as the new holding company of YH Group Limited. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of YH Group Limited with the assets and liabilities of YH Group Limited recognised and measured at their historical carrying amounts prior to the Restructuring. Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

As of the date of this report, no audited financial statements have been prepared for the Target Company since its incorporation, as it is not subject to statutory audit requirement under relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Target Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the jurisdictions in which they were incorporated and/or established.

Upon completion of the Reorganisation, the Target Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Target Group.

Name of company	Place of incorporation/ operation	Issued and fully paid	Proportion of ownership interest		Principal Activity	Name of statutory audit for the year ended 31 December 2018
			Direct interest	Indirect interest		
YH Group Limited	Hong Kong	HK$150,000	100%		Provision of financial quotient and seminar	2018: Morton CPA Limited
YH Education Limited	Hong Kong	HK$1		100%	Investment Holding	2018: Morton CPA Limited
98 SHH Limited	BVI	US$1	100%		Property Holding	N/A
31 Edutech Limited	HK	HK$3,000		66%	Dormant	N/A

Notes:

All the above companies comprising the Target Group have adopted 31 December as their financial year end date. No statutory financial statements have yet been prepared for these companies for the year ended 31 December 2019 and 31 December 2020.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 4. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conforms with HKFRSs issued by the HKICPA.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for equity investments which have been measured at fair value.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs consistently throughout the Track Record Period, including HKFRS 9, *Financial Instruments*, HKFRS 15, *Revenue from Contracts with Customers* and HKFRS 16, *Leases*. The Target Group has not adopted any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 3.

The Historical Financial Information also complies with the applicable disclosure provisions of the GEM Listing Rules on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and a new standard, which have not been adopted in the Historical Financial Information. These developments include the following:

Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 17	Insurance Contracts[3, 6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3, 5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currencies

In preparing the financial statements of the Target Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**"), rounded to the nearest thousands. All the Target Group's operating activities are carried out in Hong Kong with most of the transactions denominated in HK$.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 5.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Target Company, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Target Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Target Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 4 (d)).

In the Target Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 4 (k)).

(d) Associates and joint ventures

An associate is an entity in which the Target Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Target Group and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Target Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Target Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Target Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 4 (e) and 4 (k)(ii)). Any acquisition-date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statements of profit or loss and other comprehensive income, whereas the Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Target Group's share of losses exceeds its interest in the associate or the joint venture, the Target Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Target Group's interest is the carrying amount of the investment under the equity method, together with the other long-term interests that in substance form part of the Target Group's net investment in the associate or the joint venture (after applying the expected credit losses ("**ECLs**") model to such other long-term interests where applicable (see Note 4 (k)(i)).

Unrealised profits and losses resulting from transactions between the Target Group and its associates and joint ventures are eliminated to the extent of the Target Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Target Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4 (f)).

(e) Business combination and goodwill

Accounting treatments for business combinations involving entities under common control and not under common control.

(1) Business combinations involving entities under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party or the earliest date presented, whenever the later. The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respective controlling shareholder's financial statements. The consolidated statements of profit or loss and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The adjustment to eliminate the share capital of entities combined and investment cost has been recorded as other reserve in equity.

(2) Business combinations involving entities not under common control

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration assumed in a business combination is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Target Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase. Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 4 (k)(ii)).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity financial instruments

The Target Group's and the Company's policies for investments in debt and equity financial instruments, other than investments in subsidiaries, an associate and joint ventures, are as follows:

Investments in debt and equity financial instruments are recognised/derecognised on the date the Target Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVTPL**") for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Target Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 4 (t)(ii)).

– Fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Target Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 4 (t)(iv).

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 4 (j)(ii)) to earn rental income and/or for capital appreciation. This includes property that is being constructed or developed for future use as investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss (see Note 4 (k)(ii)). Rental income from investment properties is accounted for as described in Note 4 (t)(iii).

Depreciation of investment properties, except for the freehold land which is not subject to depreciation, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 50 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 4 (k)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Target Group is not the registered owner of the property interest (see Note 4 (j)); and

– items of plant and equipment.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates for depreciation are as follows:

The useful lives are as follows:

Furniture and fixtures	5 years
Motor vehicle	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All the cost of other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(i) Intangible assets (other than goodwill)

Other intangible assets that are acquired by the Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 4 (k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

(j) Leased assets

At inception of a contract, the Target Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(1) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Target Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Target Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Target Group are primarily laptops and office furniture. When the Target Group enters into a lease in respect of a low-value asset, the Target Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 4 (h) and 4 (k)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Target Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Target Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Target Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(2) As a lessor

When the Target Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 4 (t)(iii).

When the Target Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Target Group applies the exemption described in Note 4 (j)(i), then the Target Group classifies the sub-lease as an operating lease.

For a sublease classified as an operating lease, the Target Group retains the lease liability and the right-of-use asset relating to the head lease in its statement of financial position unless the right-of-use asset meets the definition of investment property in which case the right-of-use asset is accounted for as an investment property and measured using cost model.

During the term of sublease, the Target Group recognises lease income from the sub-leases and interest expense on the lease liability relating to the head lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Target Group recognises a loss allowance for ECLs on the following items:

– Financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, and trade and other receivables); and

– Contract assets as defined in HKFRS 15 (see Note 4 (1)).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– Fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– Variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

In measuring ECLs, the Target Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecasted general economic conditions at the reporting date.

For all other financial instruments, the Target Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in the financial instrument's credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Target Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– Failure to make payments of principal or interest on their contractually due dates;

– An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– An actual or expected significant deterioration in the operating results of the debtor; and

– Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Target Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instruments credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Target Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 4 (t)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Target Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– Significant financial difficulties of the debtor;

– Significant decrease in property management and other service fees collection rate;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– investment properties;

– intangible assets (other than goodwill);

– goodwill;

– investments in an associate and joint ventures; and

– investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Target Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 4 (k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 4 (m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Target Group recognises the related revenue. A contract liability would also be recognised if the Target Group has an unconditional right to receive non-refundable consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 4 (m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 4 (t)(ii)).

(m) Trade and other receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Target Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 4 (1)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 4 (k)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 4 (k)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Borrowing costs are expensed in the period in which they are incurred.

(q) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans. Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(r) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company or the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Target Group or theTarget Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue from contracts with customers and other income recognition

Under HKFRS 15, the Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates and enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Company and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Target Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Target Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Target Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Target Company estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Target Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Target Group's performance in transferring control of services.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Target Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Target Group's performance in transferring control of goods or services.

Output method

The progress towards completion satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Group's performance in transferring control of goods or services.

Seminar fees are generally received in advance and are initially recorded as contract liabilities. Seminar fees are recognised proportionately over the terms of the applicable program. The seminar fees received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability.

Further details of the Target Group's revenue and other income recognition policies are as follows:

(i) *Provision of seminar and consulting services*

For the seminar services of the Target Group, the Target Group provides seminars through on-site and online platforms for a fixed fee. The seminar services are paid in advance and in full during the registration process, which must occur prior to the attending the first seminar. The service period for seminar services is one year from the payment of the customers. A contract liability is recognised for fees whereas revenue has yet been recognised.

For the consulting services of the Target Group, the Target Group recognises revenue at a point in time when the services have been delivered to each customer. The consulting services are paid in advance and in full prior the customer scheduling the consulting session. A contract liability is recognised for consulting fees whereas revenue has yet been recognised.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Target Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Target Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Target Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Target Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation in seminar and consulting services are measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Group's performance in transferring control of goods or services.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Dividends

Dividend income from unlisted investments is recognised when the equity shareholder's right to receive payment is established.

(v) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognition in other revenue.

(u) Related parties

A party is considered to be related to the Target Group if:

1. A person or a close member of that person's family is related to the Target Group if that person:

   (a) has control or joint control over the Target Group;

   (b) has significant influence over the Target Group; or

   (c) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

2. An entity is related to the Target Group if any of the following conditions applies:

   (a) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

   (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

   (c) both entities are joint ventures of the same third party;

   (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (e) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employees are also related to the Target Group;

   (f) the entity is controlled or jointly controlled by a person identified in (i);

   (g) a person identified in (1)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

   (h) The entity, or any member of a group of which is a part, provides key management personnel services to the Target Group and Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the equity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Target Group and a related party, regardless of whether a price is charged.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment for trade and other receivables

For trade and other receivables, the Target Group estimates impairment losses for trade and other receivables by using expected credit loss models. Expected credit loss on these trade and other receivables are estimated based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Where the expectation is different from the original estimate, such difference will impact the loss allowance of trade and other receivables in the periods in which such estimate has been changed.

(ii) Impairment of non-current assets

If circumstances indicate that the carrying amounts of investment properties, property, plant and equipment, intangible assets, interest in an associate and joint ventures and goodwill may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Target Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these cash flows.

(iii) Determining the lease term

As explained in policy note 4 (j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Target Group, the Target Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Target Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Target Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Target Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

6. OPERATING SEGMENT INFORMATION

The Target Group is principally engaged in the provision of higher education services in the Hong Kong.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Target Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Target Group as a whole. Therefore, no further information about the operating segment is presented other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

During the year, the Target Group operated within one geographical location because all of its revenue was generated in the Hong Kong and all of its long-term assets/capital expenditures were located/incurred in the Hong Kong. Accordingly, no further geographical information is presented.

Information about major customers

No revenue from a single customer amounted to 10% or more of the total revenue of the Target Group during the Track Record Period.

7. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate seminar and consultation fees income earned by the Target Group during the Track Record Period.

An analysis of revenue from contracts with customers is as follows:

(a) Disaggregate revenue information

	Years ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Seminar services	10,356	21,575	19,734
Consulting services	–	9,126	17,425
Timing of revenue recognition			
Services transferred over time	10,356	21,575	19,734
Services transferred at a point in time	–	9,126	17,425
Total revenue from contract customers	10,356	30,701	37,159

(b) Performance obligations

Information about the Target Group's performance obligations is summarised below:

Seminar services (revenue recognised over time)

For the seminar services of the Target Group, the Target Group provides seminars through on-site and online platforms for a fixed fee. The seminar services are paid in advance and in full during the registration process, which must occur prior to the attending the first seminar. The service period for seminar services is one year from the payment of the customers. A contract liability is recognised for fees whereas revenue has yet been recognised.

The sole director of the Group has determined that the performance obligation of providing seminar services is satisfied over time as customers simultaneously receive and consume the benefits of these services throughout the service period.

Consulting services (revenue recognised at a point in time)

For the consulting services of the Target Group, the Target Group recognises revenue at a point in time when the services have been delivered to each customer. The consulting services are paid in advance and in full prior the customer scheduling the consulting session. A contract liability is recognised for consulting fees whereas revenue has yet been recognised.

Changes in contract liabilities during the year are as follows:

	Years ended 31 December		
	2018	**2019**	**2020**
	HK\$'000	*HK\$'000*	*HK\$'000*
Carrying value at 1 January	4,578	4,208	11,554
Revenue recognised that was included in the contract liabilities at 1 January	(4,578)	(4,208)	(11,554)
Increase due to cash received, excluding amounts recognised as revenue during the year	4,208	11,554	10,159
	4,208	11,554	10,159

OTHER INCOME AND GAINS, NET

		Years ended 31 December		
		2018	**2019**	**2020**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Rental Income		63	–	530
Other income/(loss) from non-seminar services		12	(132)	–
Administrative income	*(i)*	214	2,002	1,521
Government Grant	*(ii)*	–	–	1,024
Others		308	49	72
		597	1,919	3,147

Notes:

(i) During the Track Record Period, administrative income mainly represented income of a subsidiary generated from provision of administrative support to a related company and companies held by a former director of a subsidiary.

(ii) During the Track Record Period, HKSAR Government announced and distributed the Employment Support Scheme ("**ESS**") and the Target Group is entitled to HK$1,024,000 of grant from the ESS.

8. FINANCE COSTS

	Years ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on lease liabilities	13	9	11
Interest expense on borrowings	10	7	1,036
	23	16	1,047

9. PROFIT BEFORE TAXATION

Profit before taxation for the Track Record Period has been arrived at after charging:

	Years ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Auditors' remuneration	176	–	–
Depreciation of property, plant and equipment	40	93	115
Depreciation of investment property	–	–	535
Depreciation of right of use of assets	2,706	1,869	812
Directors' emoluments	–	60	180
Staff salaries and allowances	2,365	4,951	7,708

10. SOLE DIRECTORS' REMUNERATION

(a) Sole director's and chief executives' emoluments

Details of the remuneration paid and payable to the sole director of the Target Group as follow:

Name of the sole director	**Fees**	**Salaries and allowances**	**Performance related bonuses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sole director				
Mr. Yuen Yu Sum				
Year ended 31 December 2018	–	–	–	–
Year ended 31 December 2019	–	60	–	60
Year ended 31 December 2020	–	180	–	180

During the Track Record Period, no emoluments was recognised or paid by the Target Group to the sole director as compensation for loss of office and inducement to join for the years. No director had waived any emoluments during the years.

The sole director's emoluments shown above were mainly for his services in connection with the management of the affairs of the Target Group and for his services as the sole director.

11. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the BVI, the Target Company is not subject to any income tax.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%.

For the years ended 31 December 2018, 2019 and 2020, Hong Kong Profits Tax at the qualified entities of the Target Group is calculated in accordance with the two-tiered Profits Tax rates regime if there were any assessable profits. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	Years ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Current Year – Hong Kong Profits Tax	561	2,070	3,583
Deferred tax expenses/(credit)	46	(8)	(12)
Income tax expenses for the year	607	2,062	3,571

The provision for Hong Kong Profits Tax is calculated at 16.5% of each of the assessable profits for Track Record Period.

(a) Reconciliation profit before taxation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December		
	2018	2019	2020
	HK$	*HK$*	*HK$*
Income tax expense for the year	607	2,062	3,571
Profit before taxation	1,232	15,889	22,166
Tax on accounting profit at domestic tax rate of 16.5%	203	2,622	3,657
Non-taxable income	–	(418)	(169)
Effect of deferred tax	46	(8)	(12)
Non-deductible expenses	543	31	260
Tax concession	(20)	–	–
Tax effect of two-tiered tax rate	(165)	(165)	(165)
Income tax expenses for the year	607	2,062	3,571

12. DIVIDEND

	Years ended 31 December		
	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*
Declared by:			
YH Group Limited	217	8,826	–
Prestige Concord Limited	–	2,000	600

On 31 December 2018, YH Group Limited declared dividends amounted to HK$217,000 out of the company's profit and paid to its shareholders by way of current account settlement.

On 3 October 2019, YH Group Limited declared dividends amounted to HK$8,826,000 out of the company's profit and paid to its shareholders by way of current account settlement.

On 21 November 2019, the Target Company declared dividends amounted to HK$2,000,000 out of the Target Group's profit and paid to its shareholders. Dividends amounted to HK$1,400,000 were paid to Mr. Yuen Yu Sum by way of cash settlement. Dividends amounted to HK$600,000 were paid to Able Glorious Limited by way of current account settlement.

On 3 January 2020, the Target Company declared dividends amounted to HK$600,000 out of the Target Group's profit and paid to its shareholders by way of cash settlement.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2018	5	–	5
Additions	–	346	346
At 31 December 2018 and 1 January 2019	5	346	351
Additions	227	–	227
At 31 December 2019, 1 January 2020 and 31 December 2020	232	346	578
ACCUMULATED DEPRECIATION			
At 1 January 2018	1	–	1
Charge for the year	1	39	40
At 31 December 2018 and 1 January 2019	2	39	41
Charge for the year	24	69	93
At 31 December 2019 and 1 January 2020	26	108	134
Charge for the year	46	69	115
At 31 December 2020	72	177	249

	Furniture and fixtures	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*
Net carrying amount			
At 31 December 2018	3	307	310
At 31 December 2019	206	238	444
At 31 December 2020	160	169	329

The above items of property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis at the following rates per annum:

Motor Vehicles	20%
Furniture and fixtures	20%

Save as disclosed in note 23, the above motor vehicle has been pledged to secure the secured loan.

14. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 January 2018	–
Additions	16,000
At 31 December 2020	16,000
ACCUMULATED DEPRECIATION	
At 1 January 2018, 31 December 2018 and 2019	–
Charge for the year	535
At 31 December 2020	535
CARRYING VALUE	
At 1 January 2018, 31 December 2018 and 2019	–
At 31 December 2020	15,465

The fair value of the Target Group's investment properties at 31 December 2020 is HK$20,000,000. The fair value has been arrived at based on a valuation carried out by Ravia Global Appraisals Advisory Limited ("**Ravia**"). Ravia is a member of the Hong Kong Institute of Surveyors. Ravia are independent valuers not connected with the Target Group. The valuation was determined by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. The key inputs are property prices of near-by properties.

Save as disclosed in note 23, the above investment property has been pledged to secure the mortgage loan.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at bank. Cash at bank carried interest at average market rates based on daily bank deposit rates. The cash at bank is deposited with a creditworthy bank with no recent history of default.

16. RIGHT-OF-USE ASSETS

	HK$'000
At 1 January 2018	1,564
Additions	83,190
Depreciation charge	(2,706)
At 31 December 2018 and 1 January 2019	82,048
Additions	867
Disposal	(80,750)
Depreciation charge	(1,869)
At 31 December 2019 and 1 January 2020	296
Additions	1,163
Depreciation charge	(812)
At 31 December 2020	647

The recognised right-of-use assets relate to the following types of assets:

	Prepaid land lease	**Office premises**	**Total**
	HK$	*HK$*	*HK$*
At 31 December 2018	81,527	521	82,048
At 31 December 2019	–	296	296
At 31 December 2020	–	647	647

17. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Other receivables	18,993	7,965	544
Deposits and Prepayments	12	5,972	2,225
	19,005	13,937	2,769

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Meanwhile, the Target Group applied general approach to provide for expected credit losses for financial assets included in deposits and other receivables under HKFRS9. The Target Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate.

The movement in the loss allowance for impairment of other receivables are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of year	673	1,049	–
Impairment loss recognised, net	376	–	–
Reversal of impairment losses, net	–	(682)	–
Derecognised upon the completion of Restructuring	–	(367)	–
	1,049	–	–

18. AMOUNT DUE FROM A SHAREHOLDER AND AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Name of the party	Maximum outstanding balance during the year ended 31 December			As at 31 December		
	2018	2019	2020	2018	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from a shareholder:						
Yuen Yu Sum	7,056	17,099	30,079	6,993	16,513	29,000
				6,993	16,513	29,000
Amounts due from/(to) related companies:						
Able Glorious Limited	–	(228)	5,514	–	(225)	5,458
L & A International Holdings Limited	–	–	1,329	–	–	1,303
Zone Galaxy Limited	–	–	14	–	–	14
Freemaker Institute Limited	–	–	(10,794)	–	–	(10,380)
Maxi Chain Enterprises Limited	–	–	(7)	–	–	(7)
				–	(225)	(3,612)

Yuen Yu Sum is one of the shareholders of the Target Company and is the sole director of the Target Company. The above amounts are unsecured, interest-free and repayable on demand.

Able Glorious Limited is one of the shareholders of the Target Company. The above amounts are unsecured, interest-free and repayable on demand.

L & A International Holdings Limited is the parent of Able Glorious Limited. The above amounts are unsecured, interest-free and repayable on demand.

Zone Galaxy Limited is a wholly owned subsidiary of Able Glorious Limited which is a shareholder of the Target Company.

Freemaker Institute Limited is an indirect wholly owned subsidiary of Able Glorious Limited which is a shareholder of the Target Company.

Maxi Chain Enterprises Limited is an indirect wholly owned subsidiary of L&A International Holdings Limited which is the parent of the shareholder of the Target Company.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted equities securities, at fair value	4	–	–
Equities securities listed in Hong Kong held for trading			
At the beginning of the reporting period	–	595	–
Additions	792	56	–
Fair value adjustment	(8)	(33)	–
Disposal of non-core business subsidiaries	–	(79)	–
Disposals	(189)	(539)	–
	599	–	–

The fair value of listed securities are determined based on the quoted market bid price available on SEHK.

20. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Accruals	485	2,125	1,334
Other payables	47,063	9,316	489
	47,548	11,441	1,823

21. LEASE LIABILITIES

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Minimum lease payments due	–	–	–
Lease of right-of-use assets			
Within 1 year	528	299	435
Between 1 to 2 years	–	–	230
Later than 2 years	–	–	–
Less: future finance charges	(1)	(1)	(14)
Present value of lease liabilities	527	298	651
Current	527	298	424
Non-current	–	–	227

The Target Group leases various properties mainly as its office and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. Extension options are not included in a number of property leases across the Target Group.

The total cash outflows for leases including payments of the lease liabilities, payments of interest expenses on leases for the years ended 31 December 2018, 2019 and 2020 were approximately HK$1,056,000, HK$1,104,000 and HK$823,000 respectively.

22. CONTRACT LIABILITIES

	Years ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Seminar and consulting services	4,208	11,554	10,159

23. BORROWINGS

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Secured loan	254	139	20
Mortgage loan	–	–	11,200
Representing:			
Portion of borrowings for repayment:			
On demand or within one year	115	119	11,220
More than one year, but not exceeding five years	139	20	–
Total	254	139	11,220

The bank loan is secured by the Target Group's motor vehicle. The mortgage loan is secured by a pledge over the Target Group's investment property situated in Hong Kong.

As at 30 June 2020, save as disclosed elsewhere in these financial statements, the Target Group has pledged the investment property and motor vehicle as disclosed in note 13 and note 14, respectively, to secure general mortgage and bank loans granted to the Target Group.

24. DEFERRED TAX LIABILITIES

The movement for the Target Group's deferred tax liabilities is as follow:

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the year	–	46	38
Charge/(credit) to profit or loss	46	(8)	(12)
At the end of the reporting period	46	38	26

Recognised deferred tax liabilities at the end of the reporting period represent the depreciation allowance.

25. SHARE CAPITAL

On 23 January 2019, the Target Company was incorporated in the British Virgin Islands as an exempted company with limited liability. The authorised share capital of the Target Company is US$1,000 divided into 1,000 shares of a par value of US$1 each. After the incorporation, 1,000 shares were allotted to Mr. Yuen Yu Sum.

The Target Company is an investment holding company which has not carried on any business, since the date of its incorporation save for Restructuring as described in "Basis of Preparation and Presentation of Historical Financial Information" above, except for acquiring an investment property located in Hong Kong subsequently on 24 January 2020.

26. OPERATING LEASING ARRANGEMENT

Operating lease commitments- where the Target Group is the lessor

At 31 December 2018, 2019 and 2020, the Target Group had contracted with tenants for the following minimum lease receivables:

	2018	**2019**	**2020**
	HK\$'000	*HK\$'000*	*HK\$'000*
Not later than 1 year	–	–	57
Later than 1 year and not later than 2 years	–	–	–
Later than 2 years and not later than 3 years	–	–	–
Later than 3 years and not later than 4 years	–	–	–
Later than 4 years and not later than 5 years	–	–	–
Over 5 years	–	–	–
	–	–	57

Operating lease receivables represent future aggregate minimum lease receipts by the Target Group from non-cancellable operating leases of its investment property. Typically, leases are negotiated and rentals are fixed for lease term of one year.

27. RELATED PARTY TRANSACTIONS AND BALANCES

a. Transaction with related parties

Saved as disclosed elsewhere in the Historical Financial Information of the Target Company, the Target Company undertook the following transactions with related parties during the Track Record Period:

		Years ended 31 December		
		2018	**2019**	**2020**
Name of the party	**Nature**	*HK$'000*	*HK$'000*	*HK$'000*
Dragon Vantage Development Limited	Rental expenses	(1,056)	(1,105)	(776)
	Administrative Income	24	44	36
Freemaker Institute Limited	Rental expenses	–	–	287
	Administrative Income	–	–	1,400
		(1,032)	(1,061)	947

Mr. Yuen Yu Sum, who is the shareholder and director of the Target Company, is a director and one of the shareholders of Dragon Vantage Development Limited.

Freemaker Institute Limited is an indirect wholly owned company of Able Glorious Limited is one of the shareholders of the Target Company.

b. Balance with related parties

Saved as disclosed elsewhere in the Historical Financial Information of the Target Group, the Target Group did not have any balances with any other related parties.

28. CAPITAL RISK MANAGEMENT

The objective of the Target Group's capital management is to safeguard its ability to continue as a going concern in order to provide returns for shareholders. The capital structure of the Target Group consists of bank balance and cash, borrowings and equity attributable to equity holders of the Target Company, comprising capital, reserves and retained profits.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and future capital requirement of the Target Group. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, issue new shares, or raise and repay debts. No changes were made in the objectives, policies or processes during the Track Record Periods.

29. FINANCIAL RISK MANAGEMENT

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Financial assets at amortised costs/loan and receivables (including cash and cash equivalents)	29,879	30,043	44,950
Held-for-trading investments/financial assets at fair value through profit or loss	595	–	–
	30,474	30,043	44,950
Financial liabilities			
At amortised costs	48,190	12,103	23,430
	48,190	12,103	23,430

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Target Group's exposure to bad debts is not significant. Maximum exposure and year-end staging as at 31 December 2018, 2019 and 2020. The table below shows the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018, 2019 and 2020. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2018

	12-months ECL	Lifetime ECL			
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
Other receivables and deposits	20,054	–	–	–	20,054
Amount due from a shareholder	6,993	–	–	–	6,993
Cash and cash equivalent	2,828	–	–	–	2,828
Financial assets through profit or loss	599	–	–	–	599
	30,474	–	–	–	30,474

As at 31 December 2019

	12-months ECL	Lifetime ECL			
				Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Other receivables and deposits	13,024	–	–	–	13,024
Amount due from a shareholder	16,880	–	–	–	16,880
Amount due from related companies	–	–	–	–	–
Cash and cash equivalents	139	–	–	–	139
	30,043	–	–	–	30,043

As at 31 December 2020

	12-months ECL	Lifetime ECL			
				Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Other receivables and deposits	2,531	–	–	–	2,531
Amount due from a shareholder	29,000	–	–	–	29,000
Amount due from related companies	6,775	–	–	–	6,775
Cash and cash equivalents	6,644	–	–	–	6,644
	44,950	–	–	–	44,950

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank deposits, other borrowings and lease liabilities.

Other borrowings and lease liabilities at fixed rates expose the Target Group to fair value interest rate risk. Bank deposits are carried at low interest rates and the interest income thereon is not significant.

Sensitivity analysis

Other borrowings and lease liabilities are fixed rate instruments and are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

The Group does not have significant exposure to interest rates arising from variable rate cash at bank, accordingly no sensitivity analysis is presented.

Currency risk

The Target Group currently does not have a foreign currency hedging policy. However, the sole director monitors its foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arises. At the end of the reporting period, there is minimal exposure to currency risk by the Target Group as substantially all financial assets and all financial liabilities recognised are denominated in the functional currency of the respective Group entities.

Liquidity risk

The Target Group manages liquidity risk by maintaining adequate bank balance and cash, monitoring forecast and actual cash flows. The following tables detail the Target Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group and the Target Company can be required to pay. The table includes both interest and principal cash flows. The interest rates as at the end of the reporting period are used for the cash flow calculation in relation to variable rate interest bearing financial liabilities.

The maturity profile of the Target Group's non-derivative financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period and the earliest date the Target Group can be required to pay, are as follows:

For the year ended 31 December 2018

	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total contractual undiscounted cash flow	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	47,548	–	–	47,548	47,548
Lease liabilities	527	–	–	527	527
Borrowings	122	143	–	265	254
	48,197	143	–	48,340	48,329

For the year ended 31 December 2019

	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total contractual undiscounted cash flow	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	11,441	–	–	11,441	11,441
Lease liabilities	225	–	–	225	225
Amount due to a related company	298	–	–	298	298
Borrowings	122	20	–	142	139
	12,086	20	–	12,106	12,103

For the year ended 31 December 2020

	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total contractual undiscounted cash flow	Total carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	1,823	–	–	1,823	1,823
Lease liabilities	424	227	–	651	651
Amount due to related companies	10,387	–	–	10,387	10,387
Borrowings	11,550	–	–	11,550	11,220
	24,184	227	–	24,411	24,081

The sole director considers that the carrying amounts of financial liability recorded at amortised cost in the financial statements approximate to its fair value.

Fair value measurements of financial instruments

The fair value of financial liability is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

30. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2018, the Target Group acquired a prepaid land lease amounting to HK$83,190,000 that were settled against the amount due from a former director of a subsidiary.

31. DISPOSAL OF NON-CORE BUSINESS SUBSIDIARIES

The Historical Financial Information aims to include assets, liabilities, income and expenses that are related to and specifically identified for the provision of seminar services and consulting services. During the Track Record Period, the Target Group had entered into several disposal agreements in relation to the disposal of the entire issued share capital of each of those non-core business subsidiaries (hereinafter collectively referred to "**Non-Core Business Subsidiaries**") with their principal activities and financial information below.

The disposals of the Non-Core Business Subsidiaries completed during the Track Record Period which did not engage in the principal business of the Target Group, thus the relevant income and cost of sales are presented in "Other Income and Gains, Net" as disclosed in Note 7.

For the year ended 31 December 2019

On 16 May 2019, the Target Group disposed of its 100% equity interest in Jantix Realty (Overseas) Limited and its subsidiaries, with its principal activities of investment holding, to a former director of a non-core business subsidiary at a consideration of HK$1. The net liabilities of the disposed group at the date of disposal are as follow:

	HK$'000
Cash and cash equivalent	2
Other payables and accruals	(52)
Net liabilities	(50)
Loss on disposal	
Net consideration received and receivables	–[1]
Net liabilities disposed of	(50)
Gain on disposal	50
Net cash outflow arising on disposal	
Consideration received	–
Cash and cash equivalents	(2)

[1] As the amount of the consideration is less than HK$1,000, it is represented as nil or the presentation purpose

On 16 May 2019, the Target Group disposed of its 52% equity interest in Repose Holdings Limited and its subsidiaries, with its principal activities of investment holding, to a former director of a non-core business subsidiary at a consideration of HK$3,250. The net liabilities of the disposed group are as follow:

	HK$'000
Other receivables	13,325
Other payables and accruals	(13,941)
Net liabilities	(616)
Gain on disposal	
Net consideration received and receivables	3
Net liabilities disposed of	(616)
Non-controlling interests	(547)
Gain on disposal	72
Net cashflow arising on disposal	
Consideration received	–
Cash and cash equivalents	–

On 19 May 2019, the Target Group disposed of its 100% equity interest in Jantix Construction and Engineering Limited, with its principal activities of provision of renovation business, to a former director of a non-core business subsidiary at a consideration of HK$1. The net assets of the subsidiary at the date of disposal are as follow:

	HK$'000
Trade and other receivables	2,491
Cash and bank	124
Trade and other payables	(1,892)
Net asset value	723
Loss on disposal	
Net consideration received and receivables	–[1]
Net asset disposed of	723
Loss on disposal	(723)
Net cash outflow arising on disposal	
Consideration received	–
Cash and cash equivalents	(124)

[1] As the amount of the consideration is less than HK$1,000, it is represented as nil or the presentation purpose

On 18 June 2019, the Target Group disposed of its 53.85% equity interest in Jantix Renewal Planning Limited and its subsidiary, with its principal activities of investment holding, to a former director of a non-core business subsidiary at a consideration of HK$10,000,010. The net asset of the disposed group is as follow:

	HK$'000
Other receivables	103,232
Cash and cash equivalent	711
Other payables and accruals	(37,323)
Net asset value	66,620
Gain on disposal	
Net consideration received and receivables	10,000
Net asset disposed of	66,620
Non-controlling interests	56,956
Gain on disposal	336
Net cash outflow arising on disposal	
Consideration received	–
Cash and cash equivalents	(711)

On 18 June 2019, the Target Group disposed of its 100% equity interest in Jantix Realty (Hong Kong) Limited, with its principal activities of investment holding, to a former director of a non-core business subsidiary at a consideration of HK$1. The net liabilities of the disposed group are as follow:

	HK$'000
Right of use asset	80,750
Deposits	44
Cash and bank	18
Other payables and accruals	(83,610)
Net liabilities	(2,798)
Gain on disposal	
Net consideration received and receivables	–[1]
Net liabilities disposed of	(2,798)
Gain on disposal	2,798
Net cash outflow arising on disposal	
Consideration received	–
Cash and cash equivalents	(18)

1 As the amount of the consideration is less than HK$1,000, it is represented as nil or the presentation purpose

32. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

Since January 2020, the PRC has encountered COVID-19 as a result of which, certain measures were undertaken by the PRC central government and various provincial or municipal governments including but not limited to implementation of travel restrictions and extension of national holidays. Up to the date of this accountants' report, COVID-19 has not resulted in material impact to the operating activities and financial results of the Target Group. Pending on the development and spread of COVID-19 subsequent to the date of this accountants' report, further changes in economic conditions for the Target Group arising thereof may have impact on the financial results of the Target Group, the extent of which could not be estimated as at the date of this accountants' report. The Target Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Target Group.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period.

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2018, 2019 and 2020 based on the Accountants' Report of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Group is principally engaged in provision of financial quotient and investment experience-sharing seminars in Hong Kong. The Target Group currently holds the Seminars which mainly cover (i) property investment; (ii) securities investment; and (iii) financial quotient in Hong Kong.

FINANCIAL REVIEW

Revenue

The Target Group had recorded a total revenue of approximately HK$10,356,000, HK$30,701,000 and HK$37,159,000 for the years ended 31 December 2018, 2019 and 2020 respectively.

The increase in revenue for the year ended 31 December 2019 as compared with the corresponding period in 2018 was mainly attributable to the increase in the number of new customers.

The increase in revenue for the year ended 31 December 2020 as compared with the corresponding period in 2019 was mainly attributable to the increase in the number of new customers.

Other income and gains, net

The other income and gains amounted to approximately HK$597,000, HK$1,919,000 and HK$3,147,000 for the years ended 31 December 2018, 2019 and 2020 respectively.

The increase in other income and gains for the year ended 31 December 2019 as compared with the corresponding period in 2018 was mainly attributable to the increase of administrative income.

The increase in other income and gains for the year ended 31 December 2020 as compared with the corresponding period in 2019 was mainly attributable to the increase of government grant.

Administrative and operating expenses

The administrative and other operating expenses amounted to approximately HK$9,327,000, HK$19,840,000 and HK$17,460,000 for the years ended 31 December 2018, 2019 and 2020 respectively.

The increase in administrative and other operating expenses for the year ended 31 December 2019 as compared with the corresponding period in 2018 was mainly attributable to the increase of marketing expenses and staff costs incurred.

The decrease in administrative and other operating expenses for the year ended 31 December 2020 as compared with the corresponding period in 2019 was mainly attributable to the decrease of marketing expenses incurred.

Profit for the year

The Target Group recorded profit for the year of approximately HK$625,000, HK$13,827,000 and HK$18,595,000 for the years ended 31 December 2018, 2019 and 2020 respectively.

The increase in profit for the year ended 31 December 2019 as compared with the corresponding period in 2018 and the profit for the year ended 31 December 2020 as compared with the corresponding period in 2019 was mainly attributable to the increase of revenue.

Dividend

The Target Group had declared dividend of approximately HK$217,000, HK$10,826,000 and HK$600,000 for the years ended 31 December 2018, 2019 and 2020 respectively.

Liquidity and financial resources

(i) As at 31 December 2018, 2019 and 2020, cash and cash equivalents of the Target Group comprise of bank balances and cash of approximately HK$2,828,000, HK$139,000 and HK$6,644,000 respectively.

(ii) As at 31 December 2018, 2019 and 2020, the current ratio (defined as total current assets divided by total current liabilities) of the Target Group were approximately 0.55 times, 1.14 times and 1.16 times respectively.

(iii) As at 31 December 2018, 2019 and 2020, the total equity attributable to owners of the Target Company were approximately HK$1,263,000, HK$4,369,000 and HK$22,364,000 respectively. The increase in total equity attributable to owners of the Target Company was mainly due to the profit attributable to the owners during the years.

Borrowings and gearing ratio

(i) As at 31 December 2018, 2019 and 2020, the total bank borrowings of the Target Group were approximately HK$254,000, HK$139,000 and HK$11,220,000 respectively.

(ii) The gearing ratio (being the ratio of total borrowing to total equity) were approximately 0.44%, 3.18% and 50.17% as at 31 December 2018, 2019 and 2020.

Pledge of assets

The pledged assets of the Target Group as at 31 December 2018, 2019 and 2020 were disclosed in Note 23 to the accountant's report of the Target Group as set out in Appendix II to this circular.

Commitments

As at 31 December 2018, 2019 and 2020, the Target Group did not have any capital commitment.

Contingent liabilities

The Target Group had no material contingent liabilities as at 31 December 2018, 2019 and 2020.

Treasury Policy

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the three years ended 31 December 2018, 2019 and 2020.

Foreign Exchange exposure

The business transactions, assets and liabilities of the Target Group were denominated in Hong Kong dollars. Therefore, the Target Group has minimal exposure to currency exchange risk.

Significant investments held, material acquisitions or disposals of subsidiaries, associates and affiliated companies, and plans for material investments or capital assets

On 15 October 2019, the Target Company entered into a sale and purchase agreement with an independent third party to acquire the entire share interests in 98 SHH Limited which is a property holding company at the consideration of HK$16,000,000.

Save as disclosed above and the disposal of non-core business subsidiaries as discussed in the Note 31 to the accountants' report of the Target Group as set out in Appendix II to this circular respectively, the Target Group did not hold any significant equity investment as at 31 December 2018, 2019 and 2020, and the Target Group did not conduct any material acquisition or disposal of subsidiaries and associates for the three years ended 31 December 2018, 2019 and 2020.

The Target Group did not have any future plans for material investments or capital assets.

Employees Numbers and Remuneration Policy

As at 31 December 2018, 2019 and 2020, the Target Group had 10, 20 and 24 employees respectively (excluding the directors of the Target Group). The total staff costs of the Target Group for the years ended 31 December 2018, 2019 and 2020 were approximately HK$2,365,000, HK$4,951,000 and HK$7,708,000 respectively.

In order to attract and retain high quality staff and to enable smooth operation, the Target Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of as if the Acquisition as if they had been taken place on 30 September 2020.

The Unaudited Pro Forma Financial Information is prepared based (i) the information on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2020, which has been extracted from the published interim report of the Group for the period ended 30 September 2020; (ii) the information from the underlying financial information of the Target Group as at 31 December 2020, which has been extracted from the accountant's report as set out in Appendix II to this circular and after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and (ii) factually supportable as if the Acquisitions had been completed on 30 September 2020. The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed as at 30 September 2020 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction of the historical financial information of the Group and Target Group, as set out in the published interim report of the Group for the period ended 30 September 2020 and accountants' report of the Target Group as set out in Appendix II to this Circular, respectively and other financial information included elsewhere in the Circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 September 2020	The Target Group as at 31 December 2020	Pro forma adjustments		The Enlarged Group as at 30 September 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 5)*	
Non-current assets					
Property, plant and equipment	7,525	329			7,854
Investment properties	834	15,465	4,535		20,834
Goodwill	56,237	–	89,366		145,603
Interest in an associate	19,346	–	(19,346)		–
Rental deposits	121	–			121
Right-of-use assets	–	647			647
Loan receivable	508	–			508
	84,571	16,441			175,567
Current assets					
Inventories	729	–			729
Trade and other receivables	14,106	9,544			23,650
Amount due from associates	6,018	–			6,018
Amount due from a director	–	29,000	(29,000)		–
Loan receivables	55,661	–			55,661
Cash and cash equivalents	42,252	6,644	(10,000)		38,896
Tax recoverable	9	–			9
	118,775	45,188			124,963
Current liabilities					
Trade and other payables	46,951	12,210		1,500	60,661
Other borrowings	–	11,220			11,220
Lease liabilities	890	424			1,314
Tax payable	7,390	4,998			12,388
Contract liabilities	3,075	10,159			13,234
Deferred revenue	31,190	–			31,190
	89,496	39,011			130,007

	The Group as at 30 September 2020	The Target Group as at 31 December 2020	Pro forma adjustments		The Enlarged Group as at 30 September 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 5)*	
Net current assets/(liabilities)	29,279	6,177			(5,044)
Non-current liabilities					
Lease liabilities	2,374	227			2,601
Deferred tax liabilities	122	26			148
Loans from a shareholder	8,265	–			8,265
Promissory note payable	40,000	–	41,000		81,000
	50,761	253			92,014
Net Assets	63,089	22,365			76,759

Notes:

1. Figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2020 as set out in the published interim report for the period ended 30 September 2020.

2. Figures are extracted from the audited statement of financial position of the Target Group as at 31 December 2020 as set out in Appendix II to this Circular, which have been prepared under HKFRSs and using accounting policies materially consistent with those of the Group.

3. The adjustment represents the acquisition of the entire issued share capital of the Target Company. Pursuant to the Provisional Sale and Purchase Agreement dated 27 October 2020, the Group has conditionally agreed to acquire 70% of the issued share capital of Target Company for a consideration amounted to HK$80,000,000, which is to be satisfied by the following:

   (a) as to HK$41,000,000, by the issuance of the Promissory Note by the Purchaser to the Vendor;

   (b) as to HK$29,000,000, being the aggregate amount of the Assumed Liabilities, which will be assumed by the Purchaser upon the completion; and

   (c) as to HK$10,000,000 by cash.

   After the acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination". The amounts of goodwill and fair value of the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the Acquisition. Consequently, it will be likely to result in a different amounts than those stated in this pro forma financial information.

Goodwill is arrived from the following:

	HKD'000	*HKD'000*
Book value of the previously held interest in the Target Group *(note (i))*	19,346	
Remeasured fair value of the previously held interest *(note (i))*	16,740	
Acquisition date fair value of the previously held interests		36,086
Consideration		80,000
Less: Fair value of net assets to be acquired *(note (ii))*		(26,900)
Goodwill		89,186

Note (i): For step acquisition, HKFRS 3 requires that the acquirer shall remeasure its previously held equity interest in the acquirer at its acquisition-date fair value and recognise the resulting gain or loss. For the purpose of the unaudited pro forma financial information, the acquisition-date fair value of the Group's previously held equity interest in the Target Group is determined to be approximately HKD36,086,000 by reference to the Target Group's enterprise value as at 13 November 2020 as appraised by an independent valuer. The resulting gain from deemed disposal of interest in associate is amounted to approximately HKD16,740,000.

Note (ii): For the purpose of the unaudited pro forma financial information, the acquisition-date fair value of the 100% equity interest in the Target Group is determined to be approximately HKD26,900,000 by reference to the net asset value of the Target Group as at 31 December 2020 and the valuation report of the Property as set out in Appendix VI.

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree, if any, and the fair value of the Group's previously held equity interest in the acquiree; over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

In accordance with HKFRS 3 *Business Combination*, the acquirer shall measure all the identifiable assets acquired and liabilities assumed at fair value. The disclosed HK$26.9 million represented the fair value of 100% equity interest of the Target Group and the calculation are as follow:

	Carrying value as at 31 December 2020	*Note (i)* **Fair value as at 31 December 2020**
	HKD'000	*HKD'000*
Non-current assets		
Property, plant and equipment	329	329
Investment property	15,465	20,000 *Note (ii)*
Right of use assets	647	647
Current assets		
Other receivables, deposits and prepayments	9,544	9,544
Amount due from a director	29,000	29,000
Cash and cash equivalents	6,644	6,644
Current liabilities		
Other payables and accruals	12,210	12,210
Borrowings	11,220	11,220
Lease liabilities	424	424
Tax payable	4,998	4,998
Contract Liabilities	10,159	10,159
Non-current liabilities		
Lease liabilities	227	227
Deferred tax liabilities	26	26
Net Asset	**22,365**	**26,900**

Notes:

(i) In accordance with HKFRS 3 Business Combination, the acquirer shall measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

The Group measures its investment properties at fair value at the acquisition date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the acquisition date.

(ii) Since the investment property is measured using cost model by the Target Group, the fair value of the investment property is determined with reference to the valuation report issued by Ravia Global Appraisals Advisory Limited as set out in Appendix VI of the circular.

The Board determined the recoverable amount of cash generating unit for the Target Group to be approximately HK$138,000,000. The Board had used cash flows projection based on financial budgets which covered a 5 years period, and incorporated therein, a discount rate of 16% in addition, those expected cash flows beyond 5-year period contains a constant growth rate of 5%, this growth rate is based on the historical record of the Target Group for the 3 years ended 31 December 2020.

Taking reference from (i) the recoverable amount of cash generating unit for the Target Group; (ii) the valuation report performed by Ravia Global Appraisal Advisory Limited for the valuation of 70% equity interest of the Target Group as of 31 December 2020; and (iii) the historical financial performance of the Target Group for the 3 years ended 31 December 2020, the Board considers that there is no impairment on the goodwill in relation to the Acquisition.

McM (HK) CPA Limited represented that based on their review, nothing has come to their attention that causes them to believe that the impairment assessment on the Goodwill made by the Board and its basis, is unreasonable.

The Company's auditors will adopt consistent accounting policies, principal assumptions and valuation method (as used in the pro forma financial information) to assess the impairment of the Enlarged Group's goodwill in the Company's future financial statements.

4. Profit guarantee and compensation

Pursuant to the Agreement, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited net profit after tax of the Target Group for the 12-month period from 1 April 2020 to 31 March 2021 (the "**Profit Guarantee Period**") as shown on its audited consolidated financial statements to be prepared in accordance with the HKFRS shall be no less than HK$17,000,000 (the "**Guaranteed Profits**").

If the actual audited consolidated net profit after tax of the Target Group for the Profit Guarantee Period 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**"):

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

If the Actual Profit is less than the relevant Guaranteed Profit, the Vendors shall compensate the Company with an amount (the "**Compensation Sum**") subject to conditions as set out in paragraphs headed "Profit Guarantee" as set out in "Letter from the Board" to this circular.

5. The adjustment represents the estimated acquisition cost (including property stamp duties and agent commission) and other legal and professional fees in relation to the Acquisition of approximately HK$160,000 and HK$1,340,000, respectively. This adjustment is not expected to have a continuing financial effect on the Enlarged Group.

6. Except for the Acquisitions and provision of estimated amount paid for stamp duties and related expenses and legal and professional fees, no adjustment has been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 September 2020.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of L & A International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of L & A International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Prestige Concord Limited (the "**Target Company**") and its subsidiaries (collectively the "**Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 September 2020 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-4 of the circular issued by the Company dated 15 March 2021 (the "**Circular**"), in connection with the proposed acquisition of the entire issued shares in and shareholders' debts due by the Target Company (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition on the Group's financial position as at 30 September 2020 as if the Proposed Acquisition had taken place at 30 September 2020. As part of the process, information about the Group's financial position has been extracted from the Group's financial statements for the period ended 30 September 2020, on which an interim report has been published.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") and with reference to Accounting Guideline 7, "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31 (7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31 (1) of the GEM Rules.

McM (HK) CPA Limited
Certified Public Accountants (Practising)

Wong Ka Bo, Jimmy
Practising Certificate Number: P07560
15 March 2021

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connection with its valuation as of 31 December 2020 on the 70% of share capital of the Target Company.

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

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15 March 2021

The Board of Directors
L & A International Holdings Limited
Unit No. D, 5th Floor
Wing Hong Centre
No. 18 Wing Hong Street
Kowloon, Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions from L & A International Holdings Limited (the "**Company**" or "**you**"), Ravia Global Appraisal Advisory Limited ("**Ravia**" or "**we**")") to perform a valuation of 70% equity interest of Prestige Concord Limited (the "**Target Company**") and its subsidiaries (collectively the "**Target Group**") as of 31 December 2020 (the "**Date of Valuation**").

This report states the purpose of valuation, basis of valuation, scope of work, limitations in scope of work, source of information, overview of the Target Group, overview of the industry, valuation methodology, adopted approach for the valuation of the Target Group, sensitivity analysis, major assumptions, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Ravia acknowledges that this report may be made available to the Company for public documentation purpose and used as reference on the Company's circular dated 15 March 2021 (the "**Circular**").

We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. BASIS OF VALUATION

Our valuation is based on fair value, which is known as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

3. SCOPE OF WORK

Our valuation opinion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (collectively the "**Management**"). In the course of our valuation work, we have conducted the following processes to evaluate the reasonableness of the adopted basis and assumptions provided:

- Discussed with the Management in relation to the background, development, operations, financial performance and other relevant information of the Target Group;
- Reviewed relevant financial information, operational information and other relevant data concerning the Target Group;
- Reviewed and discussed with the Management on the business development concerning the Target Group provided to us by the Management;
- Performed market research in relation to the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market and obtained relevant statistical figures from public sources;
- Examined relevant basis and assumptions of both the financial and operational information of the Target Group, which were provided by the Management;
- Prepared a valuation model to derive the fair value of the Target Group; and
- Presented all relevant information on the scope of work, limitations in scope of work, source of information, overview of the Target Group, overview of the industry, valuation methodology, adopted approach for the valuation of the Target Group, sensitivity analysis, major assumptions, limiting conditions, remarks and opinion of value in this report.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

4. LIMITATIONS IN SCOPE OF WORK

For the purpose of our valuation, we have been provided with the information in respect of the Target Group prepared by the Management. The valuation required the consideration of all relevant factors including, but not limited to, the following:

- In performing our services, we have relied on the accuracy of information provided by the Management with regards to the Target Group's financial information and business affairs as well as the outlook for the business. The procedures and enquiries undertaken by us in preparing this report do not include any verification work, nor do they constitute an examination made in accordance with generally accepted auditing standards. As such, we do not express an opinion or offer any forms of assurance regarding the accuracy, reasonableness, completeness or reliability of these information we are based;

- Information furnished by others, upon which all or portions of this report are based, is believed to be reliable. However, we did not independently verify the information and no warranty is given as to the accuracy of such information;

- The result of our work is dependent on the financial performance of the Target Group (see **Section 6 – Overview of the Target Group** for details). However, because events and circumstances frequently do not occur as expected, there will usually be differences between predicted and actual results, and those differences may be material. We take no responsibility for the achievement of predicted results;

- We have considered published market data and other public information, where appropriate, for which we are not responsible for their content and accuracy. Such information was obtained from sources such as Bloomberg and publicly available industry reports; and

- Our work has been conducted based on the information available as of the Date of Valuation and any subsequent information after the date of this report is not required to reflect in our work.

5. SOURCES OF INFORMATION

For the purpose of our valuation, we have been provided with the information in respect of the Target Group prepared by the Management. The valuation required the consideration of all relevant factors including, but not limited to, the following:

- Overall business descriptions, operations and development of the Target Group;
- Registrations, legal documents, permits and licenses related to the Target Group;
- The economic outlook in general and the specific economic environment and market elements affecting the Target Group, industry and market; and
- Bloomberg database, and other reliable sources of market data.

We have also conducted research from public sources to assess the reasonableness and fairness of information provided. We have assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion.

6. OVERVIEW OF THE TARGET GROUP

According to the Management, the Target Group is principally engaged in provision of seminars in Hong Kong and it has generated net profit after tax of approximately HKD18.6 million for the year ended 31 December 2020.

According to the vendor, the Target Group's profit guarantee is HKD17 million of the net profit after tax for the 12-month period from 1 April 2020 to 31 March 2021 (the "**Profit Guarantee**").

7. OVERVIEW OF THE INDUSTRY

In Hong Kong, notwithstanding the increasing need for acquiring new knowledge and skills throughout one's life, the continuing education participation rate in Hong Kong was relatively low in recent years as evidenced by the surveys conducted by the School of Professional and Continuing Education of the University of Hong Kong ("**HKU SPACE**") and the Hong Kong Federation of Youth Groups respectively.

HKU SPACE had since 1999 conducted a territory-wide biennial survey to assess the demand for continuing education in Hong Kong. According to the surveys, the participation rate of persons aged 18-64 in continuing education increased from 20.7% in 1999 to 27.8% in 2009. Yet, the participation rate eased thereafter to 27.5% in 2011 and visibly to 25.4% in 2013. This represented a decrease in the number of projected lifelong learners from 1.46 million in 2011 to 1.31 million in 2013.

Likewise, the Hong Kong Federation of Youth Groups recently conducted a survey in June 2016 on the pursuit of continuing education by persons aged 18-39 in Hong Kong. While most of the respondents believe the importance of continuing education for personal development, only a small proportion of them (32.3%) have taken continuing education courses over the past five years. Furthermore, 46.0% of respondents have yet to decide when to enrol themselves in continuing education courses.

Internationally, Hong Kong also compared unfavourably with many developed economies in terms of the participation rate in continuing education. According to a survey published by the Organisation for Economic Co-operation and Development ("**OECD**") in 2016, most of the 33 cities/countries surveyed outcompeted Hong Kong, with the exception of Jakarta (10%), Turkey and Russian Federation (17%), Greece (18%) and Italy (22%). For those outperforming surveyed cities/countries, the participation rates ranged from 31% to 64% with many of them at the upper end of the range.

In Hong Kong, the relatively low participation rate in continuing education has aroused the concerns over the limitations of the Continuing Education Fund ("**CEF**") in encouraging the members of the public in pursuing continuing education.

8. VALUATION METHODOLOGY

In conducting the valuation, we have considered three generally accepted approaches, including market approach, income approach and asset-based approach.

8.1. Market Approach

The market approach measures the value of an asset through an analysis of recent sales or offerings of comparable property. Sales and offering prices are adjusted for differences in location, time of sale, utility, and the terms and conditions of sale between the asset being appraised and the comparable properties.

8.2. Income Approach

The income approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

8.3. Asset-based Approach

The asset-based approach, which is a method for appraising enterprise values, refers to the method for determining the value of the appraisal target based on reasonable evaluation of the value of assets and liabilities of an enterprise on the basis of the balance sheet of the appraisal target as of the valuation date.

9. ADOPTED APPROACH FOR THE VALUATION OF THE TARGET GROUP

Among the abovementioned valuation approaches, the selection of the valuation approach in valuing the Target Group is based on, among other criteria, the quantity and quality of the information provided, accessibility to available data, availability of relevant market transactions, uniqueness of business operations of the Target Group and nature of the industry the Target Group is participating, professional judgment and technical expertise.

The market approach was considered to be the most appropriate valuation approach in this valuation as it requires far fewer subjective assumptions than the income approach. In additions, compared to the asset-based approach, the market approach is more likely to reflect the current market expectations over the corresponding industry since the price multiples of the comparable companies were arrived from market consensus and capture the future growth potentials of the Target Group. Under the market approach, the guideline public company method was adopted.

9.1. Comparable Companies

The fair value of the Target Group was determined with reference to the business nature and operational information of publicly listed companies that are considered to be comparable to the Target Group (the "**Comparable Companies**").

Due to the fact that there is no company is exactly the same as the Target Group, a set of the Comparable Companies must be selected in valuing the Target Group. To determine the set of the Comparable Companies, we mainly focused on the following perspectives during the selection process from the public resources (e.g., Bloomberg), including:

(i) The companies are principally engaged in provision of higher education services;

(ii) The companies are operated in China or Hong Kong and publicly listed in Hong Kong; and

(iii) Sufficiency of information (such as listing and operating histories and availability of the financial information to the public).

Details of the Comparable Companies are listed as follows:

Company Name	Bloomberg Ticker	Business Description
Edvantage Group Holdings Limited	382 HK Equity	Edvantage Group Holdings Ltd is a private higher education group. The Company operates private, higher education institutions located in China and Australia. Edvantage Group Holdings operates as a holding company.
China Education Group Holdings Limited	839 HK Equity	China Education Group Holdings Limited is a private higher education provider in China. The Company operates universities and a vocational college and enrolls students across all provinces in mainland China. The Company provides bachelor's degree programs, junior college diploma programs and vocational education programs.
Shanghai Gench Education Group Limited	1525 HK Equity	Shanghai Gench Education Group Limited operates university. The Company operates private full-time university and other businesses. Shanghai Gench Education Group provides services in China.
Minsheng Education Group Company Limited	1569 HK Equity	Minsheng Education Group Company Limited offers educational services. The Company provides higher and vocational education services in China.

Company Name	Bloomberg Ticker	Business Description
Chen Lin Education Group Holdings Limited	1593 HK Equity	Chen Lin Education Group Holdings Limited provides education related services. The Company offers outstanding private higher education, international business education, logistics management education, and other services. Chen Lin Education Group Holdings provides services in China.
Huali University Group Limited	1756 HK Equity	Huali University Group Limited provides educational services. The Company offers private higher education, private vocational education, and other related services. Huali University Group provides services in China.
Hope Education Group Co., Ltd.	1765 HK Equity	Hope Education Group Co., Ltd. offers educational services. The Company provides educational training, knowledge point sharing, activities arrangement, and other services. Hope Education Group offers its services throughout China.
China Kepei Education Group Limited	1890 HK Equity	China Kepei Education Group Limited provides educational services. The Company offers high-quality profession-oriented education services and other services. China Kepei Education Group provides services in China.

Company Name	Bloomberg Ticker	Business Description
JH Educational Technology INC.	1935 HK Equity	JH Educational Technology INC. provides education services. The Company offers higher education, secondary education, and other services. JH Educational Technology provides services in China.
China New Higher Education Group Limited	2001 HK Equity	China New Higher Education Group Limited provides educational services. The Institute offers degree program in applied sciences. China New Higher Education Group serves students in China.
China Xinhua Education Group Limited	2779 HK Equity	China Xinhua Education Group Limited offers educational services. The Company provides undergraduate and vocational educational programs. China Xinhua Education Group serves students in China.
China YuHua Education Corporation Limited	6169 HK Equity	China Yuhua Education Corporation Limited provides educational services. The School provides educational courses from kindergarten to college. China Yuhua Education serves students in China.
Neusoft Education Technology Co. Limited	9616 HK Equity	Neusoft Education Technology Co. Limited provides education services. The Company offers information technology higher education services and other services. Neusoft Education Technology provides services in China.

Source: Bloomberg and Comparable Companies' data

9.2. Adopted Valuation Multiple

To derive the value of the Target Group, we have adopted the Forward Price-to-Earnings ("**Forward P/E**") multiple. Forward P/E multiple expresses how much investors are willing to pay based on the expected earnings of a company. Forward P/E multiple is calculated using the following formula:

Forward P/E multiple = Market Capitalization/Consensus of Earnings in the 2021 Fiscal Year

The Forward P/E multiple is derived by the data extracted from Bloomberg then adjusted with the size premium according to the size difference between the Comparable Companies and the Target Group. Details of the valuation multiples of the Comparable Companies (the "**Adjusted Valuation Multiples**") are shown as:

Company Name	**Bloomberg Ticker**	**Adjusted Valuation Multiples as of the Date of Valuation**
Edvantage Group Holdings Limited	382 HK Equity	8.48
China Education Group Holdings Limited	839 HK Equity	8.20
Shanghai Gench Education Group Limited	1525 HK Equity	5.85
Minsheng Education Group Company Limited	1569 HK Equity	5.36
Chen Lin Education Group Holdings Limited	1593 HK Equity	5.26
Huali University Group Limited	1756 HK Equity	7.63
Hope Education Group Co., Ltd.	1765 HK Equity	6.80
China Kepei Education Group Limited	1890 HK Equity	6.15
JH Educational Technology INC.	1935 HK Equity	6.19
China New Higher Education Group Limited	2001 HK Equity	7.39
China Xinhua Education Group Limited	2779 HK Equity	5.23
China YuHua Education Corporation Limited	6169 HK Equity	8.25
Neusoft Education Technology Co. Limited	9616 HK Equity	7.08
Median		**6.80**

Source: Bloomberg, public information, etc.

The median of the Adjusted Valuation Multiples (i.e. Forward P/E multiples of 6.80) as of the Date of Valuation was adopted in the valuation, then multiplied by the Target Group's profit guarantee of HKD17 million of the net profit after tax for 12-month period from 1 April 2020 to 31 March 2021 to determine the market capitalization of the Target Group.

After deriving the market capitalization of the Target Group from the Forward P/E multiple (i.e. the Adjusted Valuation Multiple), the result represents 100% equity interest of the Target Group on a minority and marketable basis. Hence, it was further adjusted for the lack of marketability discount, control premium and the percentage of interest to derive the fair value of 70% of the Target Group on a majority and non-marketable basis as of the Date of Valuation.

9.3. Discount for Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. Compared to similar interest in public companies, ownership interest in privately held company is not readily marketable. Therefore, the value of a share in a privately held company is usually less than that in a publicly held company. The lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. We have made reference to the "Stout Restricted Stock Study Companion Guide" published Stout Risius Ross, LLC. in 2019 which indicated the discount for lack of marketability of approximately 20%. After considering the research, the discount for lack of marketability of 20% was adopted in the valuation.

9.4. Control Premium

The controlling interest in a company can be a distinct advantage on the making decisions in terms of business operations, business development, etc. For instance, with the authority that accompanies control the controlling shareholder can control the company's net cash flow and any discretionary expense items that the company makes on behalf of shareholders. Hence, the value of the controlling interest in a company is usually higher than the minority interest, which is generally held at the great risk of being subject to the judgment, ethics and management skills of the controlling shareholders. We have made reference to the "Control Premium Study 2nd quarter 2018" by FactSet Mergerstat, LLC. in 2018 which indicated control premium of approximately 30%. In determining a reasonable control premium, the rounded control premium of 30% was adopted in the valuation. We considered that it is fair and appropriate to adopt such control premium in our valuation.

9.5 Calculation Details

For illustrative purpose, the calculation details of the fair value of 70% equity interest of the Target Group was shown below:

Profit guarantee of the Target Group for 12-month period from 1 April 2020 to 31 March 2021 *(HKD'000)*	17,000
Multiplied by: Median Adjusted Forward P/E Multiple*	6.80
Fair value before applying discount for marketability and control premium* *(HKD'000)*	115,600
Adjusted for control premium	(1 + 30%)
Adjusted for discount for marketability	(1 – 20%)
Fair value of 100% equity interest of the Target Group* *(HKD'000)*	120,224
Equity interest to be acquired	70%
Fair value of 70% equity interest of the Target Group* *(HKD'000)*	84,200

* Rounding figures

10. SENSITIVITY ANALYSIS

By its very nature, valuation work cannot be regarded as an exact science and the conclusion arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation. Thus, the following sensitivity analysis has been applied to determine the impact of change in Adjusted Valuation Multiple on the fair value of 70% equity interest of the Target Group.

Sensitivity Analysis for the Valuation as of 31 December 2020

Change in Adjusted Valuation Multiple (x)	**Adjusted P/E Multiple (x)**	**Fair Value of 70% Equity Interest of the Target Group** *(HKD'000)*	**Change in Fair Value of 70% Equity Interest of the Target Group**
+10%	7.48	92,600	10.0%
+5%	7.14	88,400	5.0%
Base case	6.80	84,200	–
-5%	6.46	79,900	-5.1%
-10%	6.12	75,700	-10.1%

11. MAJOR ASSUMPTIONS

In conducting our valuation work, certain major assumptions have to be adopted in order to sufficiently support our opinion of value. In addition, our valuation analyses are also subject to specific representations and certain principal assumptions that Management considers necessary and appropriate for adoption in our valuation analyses (as outlined below).

- The information provided and the representations made by the Management with regard to the Target Group's financial and business affairs are accurate and reliable;

- The Target Group will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business development;

- The Target Group has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;

- There will be sufficient supply of technical staff in the industry in which the Target Group operates or intends to operate, and the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations and developments;

- There will be no major changes in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group;

- There will be no material changes in the relevant interest rates and exchange rates that would impact the Target Group's business; and

- There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Group as of the Date of Valuation.

In case actual events do not accord with one or more of the above assumptions, the resulting value of the Target Group may vary substantially from the figure as set out in this report.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We have not verified the accuracy of the information provided and have assumed that the aforesaid information is accurate. We have not conducted any further investigations concerning whether all data have been provided to us for our assessment and we have no reason to believe that any material data have been withheld from us.

We would particularly point out that our valuation was based on the information made available to us, such as the market data, company information of the Target Group are true and accurate.

Our opinion of the value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. Hence, there is no single indisputable range and generally we cannot provide absolute assurance on a valuation.

This report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated in **Section 1 – Purpose of Valuation**, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear. We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

The title of this report shall not pass to the Company until all professional fees have been paid in full.

13. REMARKS

Unless otherwise stated, all monetary amount stated in this valuation report are in Hong Kong Dollar (HKD).

14. OPINION OF VALUE

Based on the investigation and analysis stated above, our scope of work and limitations in scope of work, the assumptions adopted, and the valuation method employed, the fair value of 70% equity interest of the Target Group as of 31 December 2020 (i.e., the Date of Valuation), in our opinion, was reasonably stated as **HKD84,200,000 (HONG KONG DOLLARS EIGHTY FOUR MILLION TWO HUNDRED THOUSAND ONLY)**.

We hereby confirm that we have neither present nor prospective interests in the Target Group or the value reported herein.

Yours faithfully,
For and on behalf of
Ravia Global Appraisal Advisory Limited

Elvis C F Ng
CFA, FRM
Director

Note: Mr. Elvis C F Ng is a holder of Chartered Financial Analyst and a certified Financial Risk Manager. He has over eleven years' experience in business valuation, transaction advisory and corporate consultancy in the Asia Pacific Region including Hong Kong, the PRC and Australia, as well as in European, American, Middle-east and African countries.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connected with its valuation as at 31 December 2020 of the Property.

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

17/F., 83 Wan Chai Road
Wan Chai, Hong Kong.
T: (852) 2811 1876 F: (852) 3007 8501
W: www.raviagroup.com
E: general@raviagroup.com

15 March 2021

L & A International Holdings Limited
Unit No. D, 5th Floor
Wing Hong Centre
No. 18 Wing Hong Street
Kowloon, Hong Kong

Dear Sirs/Madams,

Re: Property Valuation of No.98 Siu Hang Hau, Clear Water Bay, Sai Kung, New Territories, Hong Kong

In accordance with the instructions of L & A International Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") to value the property in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2020 (the "**Date of Valuation**") for the purpose of incorporation in the circular of the Company dated 15 March 2021.

1. BASIS OF VALUATION

Our valuation of the property are our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

3. TITLE INVESTIGATION

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify the ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group regarding the title and other legal matters relating to the property.

We have also relied on the advice given by the Group that the Group has valid and enforceable title to the property which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the GEM issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars (HK$).

Our Valuation Certificate is attached herewith.

Yours faithfully,
For and on behalf of
RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Dr. Alan Lee
PhD(BA) MFin BCom(Property)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute, He has over 15 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

VALUATION CERTIFICATE

Property intended to be acquired by the Group for investment purpose in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
No.98 Siu Hang Hau, Clear Water Bay, Sai Kung, New Territories, Hong Kong Section B of Lot No.339 in D.D.230	The property comprises a 3-storey detached house completed in about 1996. The gross floor area ("**GFA**") of the property is about 2,100 sq.ft., together with a roof with an area of about 700 sq.ft. and a balcony with an area of about 160 sq.ft.. Section B of Lot No.339 in D.D.230 is held under Government Lease for a term of 75 years renewable for 24 years less the last three days thereof commencing on 1 July 1898 and statutorily renewed until 30 June 2047, subject to a Government rent of 3% of the rateable value for the time being of the lot.	As advised by the Group, the property is subject to a tenancy for a term of 1 year commencing on 1 September 2020 and expiring on 31 August 2021 at a monthly rent of HK$45,000 inclusive of management fee, Government rent and Government rates.	HK$20,000,000

Notes:

1. The registered owner of the property is 98 SHH Limited vide Memorial No.15102701760047 dated 30 September 2015 at a consideration of HK$25,719,571.

2. The property is subject to a Mortgage in favour of Oi Wah Property Credit Limited vide Memorial No.20041600550122 dated 26 March 2020, at a consideration of HK$16,000,000 (PT.).

3. The site inspection was performed by Alan Lee, MHKIS in November 2020.

1. RESPONSIBILITY STATEMENT

This circular, 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 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. Director's and chief executive's interests in the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required 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 taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating the securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Long positions in Shares and underlying shares of the Company:

Name of Directors	Capacity	Number of Shares held	Number of Options held	Total	Approximate percentage of shareholding *(%)* *(Note 1)*
Chan Lap Jin Kevin	Beneficial owner	154,644,000	–	154,644,000	10.07
Yuen Yu Sum	Beneficial owner	–	10,000,000	10,000,000	0.65
Chung Chin Kwan	Beneficial owner	3,360,000	–	3,360,000	0.22
	Interest of spouse	720,000 *(Note 2)*	–	720,000	0.05

Notes:

1. The approximate percentage is calculated based on the total number of issued Shares as at the Latest Practicable Date, being 1,535,984,000 Shares.

2. By virtue of the SFO, Mr. Chung Chin Kwan is deemed to be interested in all the Shares held by his spouse, Ms. Lam Ka Yee.

b. Substantial Shareholders and other persons' interests in Shares and underlying Shares

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company), had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the number of any class of share carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

Name of Substantial Shareholders	**Capacity**	**Number of Shares held** *(Note 1)*	**Approximate percentage of shareholding** *(%)* *(Note 2)*
Lau Lan Ying	Interest in a controlled corporation	227,373,200 *(Note 3)*	14.80
	Beneficial owner	22,620,800 *(Note 3)*	1.47
Wong Kwan Mo	Interest in a controlled corporation	227,373,200 *(Note 3)*	14.80
	Beneficial owner	22,620,800 *(Note 3)*	1.47
Strong Light Investments Limited	Beneficial owner	227,373,200 *(Note 3)*	14.80
Ge Qingfu	Beneficial owner	128,266,200	8.35

Notes:

1. All interests stated are long positions.

2. The approximate percentage is calculated based on the total number of issued Shares as at the Latest Practicable Date, being 1,535,984,000 Shares.

3. 227,373,200 Shares are owned by Strong Light Investments Limited which is a company incorporated in Hong Kong. The entire issued share capital of Strong Light Investments Limited are beneficially owned as to 50% by Ms. Lau Lan Ying and 50% by Mr. Wong Kwan Mo (spouse of Ms. Lau Lan Ying). By virtue of SFO, Mr. Wong Kwan Mo is deemed to be interested in all the shares owned by Strong Light Investments Limited and Ms. Lau Lan Ying.

3. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND ARRANGEMENTS

Save for the Acquisition, as at the Latest Practicable Date:

(a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to entered into any service contracts with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective close associates had any interests in businesses which compete or might compete with the businesses of the Enlarged Group or had any other conflict of interests with the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Enlarged Group) were entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and are or may be material:

a. the sale and purchase agreement dated 8 October 2019 entered into between the Purchaser and the Vendor in relation to the acquisition of 30% of the issued share capital of the Target Company at a consideration of HK$15,400,000;

b. the sale and purchase agreement dated 11 May 2020 (as amended by the supplemental agreement dated 30 June 2020) entered into between Able Glorious Limited, a wholly-owned subsidiary of the Company (as purchaser) and Mr. Poon Chi Ming (as vendor) in relation to the acquisition of entire issued share capital of Bewisekid (as target company) at a consideration of HK$33,250,000 (subject to downward adjustment);

c. the sale and purchase agreement dated 17 August 2020 (as amended by the supplemental agreement dated 16 December 2020) entered into between Able Glorious Limited, a wholly-owned subsidiary of the Company (as purchaser) and Mr. Lam Yat Nam (as vendor) in relation to the acquisition of entire issued share capital of Zone Galaxy (as target company) at a consideration of HK$40,000,000;

d. the Agreement; and

e. the placing agreement dated 27 November 2020 entered into between the Company and ShineNex Securities Limited (as placing agent) in relation to the placing of up to 255,984,000 placing shares at the placing price of HK$0.345 per placing share.

7. EXPERT AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
McM (HK) CPA Limited ("**McM**")	Certified Public Accountants
Rainbow Capital (HK) Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Ravia Global Appraisal Advisory Limited	Independent professional valuer *(Note)*

Note:

The signatories of the valuation report of the Target Group and the valuation of the Property are Mr. Elvis C F Ng and Dr. Alan W K Lee respectively.

Mr. Elvis C F Ng is a holder of Chartered Financial Analyst and a certified Financial Risk Manager. He has over eleven years' experience in business valuation, transaction advisory and corporate consultancy in the Asia Pacific Region including Hong Kong, the PRC and Australia, as well as in European, American, Middle-east and African countries.

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute, He has over 15 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any interest, either direct or indirect, in any assets which have been, since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group nor had any shareholding directly or indirectly, in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

8. LITIGATION

As at the Latest Practicable Date, the litigation or claims against the members of the Group are as follows:

(a) During the year ended 31 March 2019, the Group received a writ of summons in relation to a repudiatory breach of a tenancy agreement between the plaintiff, an independent third party landlord, and Sino Shine Retailing Limited, a former subsidiary of the Group, entered into on 27 October 2016, which the plaintiff is claiming the Group for, inter alia, damages in the sum of approximately HK$1,735,000 plus interest. As the Directors consider that it is probable that an outflow of economic benefits will be required to settle the obligation, the Group recognised the provision of HK$1,735,000 which is considered as a reliable estimate that can be made.

(b) During the year ended 31 March 2019, a petition has been filed to the court by two shareholders of the Company (the "**Petitioners**"), which together holding over 3% of the Company's issued shares, and the Petitioners filed and served a re-amended petition to the court on 3 December 2019. The Petitioners pray (i) that the Company be wound up pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32); (ii) that the court make such other orders as are deemed to be just and equitable; and (iii) that provision be made for Petitioners' costs. The case was heard from 6 to 10 July 2020 and 13 July 2020, and judgment is reserved. The Directors have discussed with the legal counsel of the Group and with reference to their own experience, they believe there is a high chance of striking out the petition and there is no effect on the going concern assumption as the basis of preparation of the Group's consolidated financial statements.

The judgement of the matter as set out in (a) and (b) above will be handed down by the court in due course, however, the timing cannot be ascertained.

9. GENERAL

(a) The registered office of the Company is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

(b) The headquarter and principal place of business of the Company in Hong Kong is Unit No. D, 5th Floor, Wing Hong Centre, No. 18 Wing Hong Street, Kowloon, Hong Kong.

(c) The company secretary of the Company is Mr. Leung Tze Wai, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

(d) The compliance officer of the Company is Mr. Lau Chun Kavan. He obtained a bachelor degree in fashion design from Central Saint Martins College of Art & Design in 2001 and a master degree in fashion design from Royal College of Art, London in 2003.

(e) The audit committee of the Board (the "**Audit Committee"**) comprises of three independent non-executive Directors, namely, Mr. Chan Kim Fai Eddie (Chairman), Mr. Ng Chi Ho Dennis and Mr. Chung Chin Kwan. The primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditors; review financial statements of the Company and judgments in respect of financial reporting; oversee internal control procedures of the Company; and review risk management and internal control system of the Group. The biography of the members of the Audit Committee are set out below:

i Mr. Chan Kim Fai Eddie, aged 48, FCCA, CPA (Practising), was appointed as an independent non-executive Director on 6 June 2019 and is a chairman of the Audit Committee. He holds a master degree in Professional Accounting from The Hong Kong Polytechnic University and a Diploma in Accounting from Kwai Chung Technical Institute. He has engaged in the accounting industry since 1993 and has over 20 years of extensive experience in accounting and auditing. He is the sole proprietor of PASICO CPA & Co.

ii Mr. Ng Chi Ho Dennis ("**Mr. Ng**"), aged 62, was appointed as an independent non-executive Director and a member of each of the Audit Committee, nomination committee and remuneration committee of the Board on 6 June 2019. Mr. Ng has extensive experience in auditing, accounting, financial management and corporate affairs. He is a chartered accountant of The Chartered Accountants Australia and New Zealand (formerly known as The Institute of Chartered Accountants in Australia) as well as a fellow member of The Hong Kong Institute of Certified Public Accountants. He is also a practising certified public accountant.

iii Mr. Chung Chin Kwan ("**Mr. Chung**"), aged 30, was appointed as an independent non-executive Director on 30 October 2020. He is also a chairman of each of the nomination committee and remuneration committee of the Board and a member of the Audit Committee. He obtained a bachelor degree in Business Administration (major in accounting) from Lingnan University. Mr. Chung has over 7 years of experience in accounting and taxation services. He also has extensive experience in company secretarial matters. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants and a chartered tax adviser of The Taxation Institute of Hong Kong.

(f) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(g) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Unit No. D, 5th Floor, Wing Hong Centre, No. 18 Wing Hong Street, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the three years ended 31 March 2018, 2019 and 2020 respectively;

(c) the interim report of the Company for the six months ended 30 September 2020;

(d) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group issued by McM set out in Appendix IV to this circular;

(f) the valuation report on the Target Group, the text of which is set out in Appendix V to this circular;

(g) the valuation report on the Property, the text of which is set out in Appendix VI in this circular;

(h) the material contracts as referred to in the above paragraph headed "Material Contracts" in this appendix;

(i) the consent letters referred to in the paragraph under the heading "Expert and Consents" in this appendix; and

(j) this circular.

The following are particulars of the Director proposed to be re-elected at the EGM.

Mr. Chung Chin Kwan ("**Mr. Chung**"), aged 30, was appointed as an independent non-executive Director on 30 October 2020. He is also a chairman of each of the nomination committee and remuneration committee of the Board and a member of the Audit Committee. He obtained a bachelor degree in Business Administration (major in accounting) from Lingnan University. Mr. Chung has over 7 years of experience in accounting and taxation services. He also has extensive experience in company secretarial matters. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants and a chartered tax adviser of The Taxation Institute of Hong Kong. Mr. Chung is the founder of CK Tax Company Limited, a taxation company granted by the Taxation Institute of Hong Kong as "Chartered Tax Adviser Accredited Employer". Mr. Chung was a director of the following companies, each of which was incorporated in Hong Kong and was dissolved (other than by a member's voluntary winding-up):

Name of Company	Principal business activity immediately prior to dissolution	Date of dissolved by deregistration	Details
Hong Kong Bitrade Company Limited	Investment holding	15 March 2019	Dissolved by deregistration under section 751 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Excel Business Centre Limited	Investment holding	25 September 2020	Ditto

To the best knowledge and belief of Mr. Chung, all of the aforesaid dissolved companies had ceased business and become defunct and were solvent at the time of them being dissolved by deregistration.

Mr. Chung has entered into a service contract with the Company for an initial fixed term of one year with effect from 30 October 2020. Mr. Chung is entitled to a director's fee of HK$10,000 per month, which represents the entirety of the monthly remuneration payable to him by the Group. The remuneration of Mr. Chung was determined with reference to the prevailing market conditions, his role and responsibilities within the Group. Such remuneration has been approved by the Board and the remuneration committee of the Board and will be reviewed by the Board and the remuneration committee of the Board on an annual basis.

As at the Latest Practicable Date, Mr. Chung had personal interest in 3,360,000 Shares and spouse interest in 720,000 Shares. Mr. Chung was deemed to be interested in an aggregate of 4,080,000 Shares, representing approximately 0.3% of the entire issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Chung (i) does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (ii) does not have any relationship with any other Directors, supervisors, senior management, substantial shareholders or controlling shareholders (having the meaning ascribed to them in the GEM Listing Rules) of the Company nor any position in the Company or any of its subsidiaries; and (iii) has not held any other major appointments and professional qualifications or directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Save as disclosed above, there is no further information required to be disclosed pursuant to the requirements of Rule 17.50 (2)(h) to (v) of the GEM Listing Rules and there are no other matters relating to the appointment of Mr. Chung that need to be brought to the attention of the Stock Exchange or the Shareholders.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of L & A International Holdings Limited (the "**Company**") will be held at 5/F, World Interests Building, 8 Tsun Yip Lane, Kwun Tong, Kowloon, Hong Kong on Wednesday, 31 March 2021 at 12:30 p.m., for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Agreement (as defined in the circular dated 15 March 2021 despatched to the shareholders of the Company (the "**Circular**")), a copy of which has been produced to this meeting marked "A" and signed by the chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) the issue of the Promissory Note (as defined in the Circular) in accordance with the terms of the Agreement be and are hereby approved; and

   (c) any one director of the Company (the "**Director**") be and is hereby authorised to do such acts and deeds in his sole and absolute discretion and opinion deemed expedient and appropriate to implement and effect the Agreement and the transactions contemplated thereunder."

2. "**THAT** Mr. Chung Chin Kwan be re-elected as an independent non-executive Director and the board of directors of the Company be authorised to fix his remuneration."

By Order of the Board
L & A International Holdings Limited
Lau Chun Kavan
Executive Director

Hong Kong, 15 March 2021

Registered Office:
Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit No. D, 5th Floor
Wing Hong Centre
No. 18 Wing Hong Street, Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy and the power of attorney (if any), under which it is signed or a notarially certified copy thereof, must be lodged, at the office of the Company's branch registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting.

3. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such shares of the Company as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said person as present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.

4. Completion and return of a form of proxy will not preclude members of the Company from attending and voting in person at the Meeting or any adjournment thereof should they so wish and in such event, the form of proxy shall be deemed to be revoked.

5. For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 26 March 2021 to Wednesday, 31 March 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 25 March 2021.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "external conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at www.lna.com.hk and on the "Latest Company Announcements" page of the GEM website at www.hkgem.com to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

7. To safeguard the health and safety of the attendees who will attend the EGM and to prevent the spreading of the coronavirus (COVID-19) pandemic, the following measures will be implemented at the EGM:

   - mandatory body temperature check;
   - seating at the EGM venue will be arranged so as to allow for appropriate social distancing.
   - mandatory wearing of surgical face masks; and
   - no refreshments nor corporate gift for attendees.

   The Company reserves the right to deny entry into the EGM venue if such person: (i) refuses to comply with any of the above precautionary measures; (ii) is subject to any Hong Kong Government prescribed quarantine; (iii) is having a body temperature of over 37.4 degree Celsius; and/or (iv) has any flu-like symptoms.

   For the health and safety of shareholders of the Company, the Company would like to encourage shareholders of the Company to appoint the chairman of the EGM as their proxy to vote on the proposed resolution at the EGM, instead of attending the EGM in person.

   Subject to the development of COVID-19, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the Company's website for further announcements and updates on the EGM arrangements.

As at the date of hereof, the board of Directors comprises three executive Directors, namely, Mr. Lau Chun Kavan, Mr. Yuen Yu Sum and Mr. Chan Lap Jin Kevin and three independent non-executive Directors, namely, Mr. Chung Chin Kwan, Mr. Chan Kim Fai Eddie and Mr. Ng Chi Ho Dennis.