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L & A International Holdings Limited

樂亞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8195)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 50% OF THE ENTIRE ISSUED SHARE CAPITAL OF WEALTH POWER GROUP LIMITED

Financial Adviser



Euto Capital Partners Limited

THE ACQUISITION

On 23 May 2017, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares, representing 50% of the entire issued share capital of the Target Company, at the Consideration of HK\$31,320,000, which was paid by the Purchaser by way of set off against the Loan together with the interest accrued thereon payable by the Vendor to the Purchaser under the Loan Agreement.

Upon Completion, the Target Group was recorded as available-for-sale financial assets, and was measured at fair values at the end of each reporting period.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition were more than 5% but less than 25%, the Acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and was therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

Mr. Ma Chi Ming, being one of the independent non-executive Directors, held 2% of the BVI Subsidiary and therefore abstained from voting on the Board resolutions approving the Acquisition.

Due to an inadvertent oversight, the Company did not announce the Agreement in a timely manner in accordance with the GEM Listing Rules. The Board will adopt measures to strengthen the relevant internal control procedures to prevent occurrence of similar incidents in the future.

BACKGROUND

On 30 August 2016, the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into the Loan agreement, pursuant to which the Purchaser agreed to make available to the Vendor a loan in the total amount of HK\$29,000,000 (the “**Loan**”).

As a continuing security for the repayment of the Loan and the due performance of the Loan Agreement by the Vendor, a deed of charge dated 30 August 2016 was executed by the Vendor in favour of the Purchaser under which the Vendor charged by way of first fixed charge the Sale Shares.

THE ACQUISITION

On 23 May 2017, the Purchaser, and the Vendor entered into the Agreement, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares, representing 50% of the entire issued share capital of the Target Company.

The principal terms of the Agreement were summarized as follows:

Date

23 May 2017 (after trading hours)

Parties

- (i) the Purchaser; and
- (ii) the Vendor.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of the Agreement, the Vendor was Independent Third Party.

Assets acquired

Pursuant to the Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares, representing 50% of the entire issued share capital of the Target Company. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of the Agreement, the other shareholder holding the remaining 50% of the entire issued share capital of Target Company was an Independent Third Party.

Consideration

The consideration for the sale and purchase of the Sale Shares was HK\$31,320,000, which was paid by the Purchaser by way of set off against the Loan together with the interest accrued thereon payable by the Vendor to the Purchaser under the Loan Agreement.

The Consideration was determined after arm's length negotiations between the parties by reference to (i) the repayment obligation of the Vendor to the Purchaser under the Loan Agreement of approximately HK\$31,200,000, comprising (a) HK\$29,000,000, being the outstanding principal amount under the Loan Agreement as at the date of the Agreement; and (b) approximately HK\$2,200,000, being the interest amount payable by the Vendor to the Purchaser for the period between the date of the Loan Agreement and the date of the Agreement; and (ii) the unaudited adjusted consolidated net asset value of the Target Group (the "**Adjusted NAV**") of approximately HK\$36,813,000 as at 31 March 2017.

The Adjusted NAV of approximately HK\$36,813,000 represented the beneficial interest of 24.5%, being the 49% equity interest of the BVI Subsidiary held by the Target Company multiplied by 50% equity interest of the Target Company held by the Vendor, of an aggregated value of:

- (i) the unaudited consolidated net liabilities of the Hong Kong Subsidiary and its subsidiaries as at 31 March 2017 in the amount of approximately HK\$4,742,000; and
- (ii) the valuation amount of the Trademark Licensing Agreement held by the PRC Subsidiary A as at 31 December 2016 in the amount of HK\$155,000,000 as extracted from the valuation report issued by Roma Appraisals Limited, an independent professional valuer.

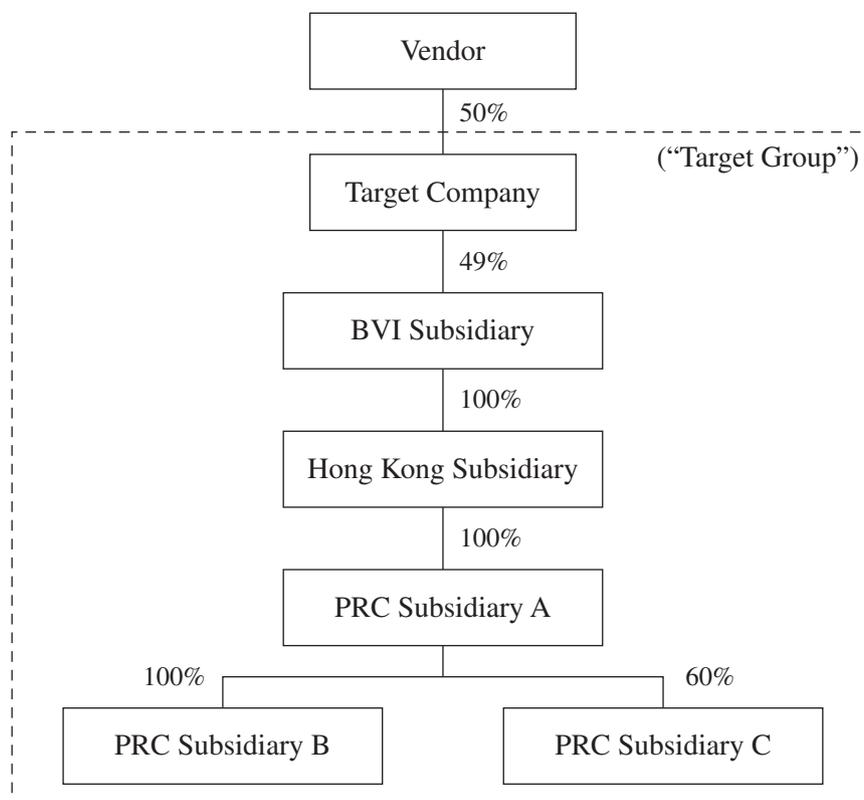
The Director considered that the Adjusted NAV represented a premium of approximately 17.99% to the Consideration and therefore the Acquisition is fair and reasonable and in the interest of the Company and its Shareholders.

Completion

The Completion took place on the Completion Date at head office and principal place of business of the Purchaser in Hong Kong (or such other place as the Vendor and the Purchaser may agree in writing) when all the relevant acts and requirements set out in the Agreement was complied with.

INFORMATION ON THE TARGET GROUP

The following diagram illustrates the shareholding structure of the Target Group immediately before the Completion:



Target Company

The Target Company is a company incorporated under the laws of the BVI on 28 October 2013. As advised by the Vendor, the principal business of the Target Company is investment holding. As at the date of the Agreement, the Target Company was owned as to 50% by the Vendor and 50% by an Independent Third Party.

BVI Subsidiary

The BVI Subsidiary is a limited liability company incorporated under the laws of the BVI on 16 December 2013. As advised by the Vendor, the principal business of the BVI Subsidiary is investment holding. As at the date of the Agreement, the BVI Subsidiary was owned as to 49% by the Target Company 2% by Ma Chi Ming, one of the independent non-executive Directors and therefore abstained from voting on the Board resolutions approving the Acquisition, and 49% by an Independent Third Party.

Hong Kong Subsidiary

The Hong Kong Subsidiary is a limited liability company incorporated in Hong Kong on 6 January 2014. As advised by the Vendor, the principal business of the HK Subsidiary is investment holding. As at the date of the Agreement, the HK Subsidiary was directly wholly-owned by the BVI Subsidiary.

PRC Subsidiary A

The PRC Subsidiary A is a limited liability company established in the PRC on 10 April 2014. As advised by the Vendor, the principal business of the PRC Subsidiary A is the provision of catering management. As at the date of the Agreement, the PRC Subsidiary A was directly wholly-owned by the Hong Kong Subsidiary.

The PRC Subsidiary A entered into the Trademark Licensing Agreement on 29 September 2014. Pursuant to the Trademark Licensing Agreement, the Vendor and Wong Yat Cheung, being the legal owners of the Trademark, granted to the PRC Subsidiary A an exclusive right to use and to grant license to third parties to use the Trademark and conduct dessert businesses in the PRC for fifteen years. As advised by the Vendor, as at the date of the Agreement, the PRC Subsidiary A granted to 6 merchants to use the Trademark and conduct dessert businesses in the PRC.

PRC Subsidiary B

The PRC Subsidiary B is a limited liability company established in the PRC on 26 January 2015. As advised by the Vendor, the principal business of the PRC Subsidiary B is the operation of restaurants and the provision of catering management. As at the date of the Agreement, the PRC Subsidiary B was directly wholly-owned by the PRC Subsidiary A. As advised by the Vendor, as at the date of the Agreement, the PRC Subsidiary B has been operating a dessert shop in the PRC since May 2015.

PRC Subsidiary C

The PRC Subsidiary C is a limited liability company established in the PRC on 27 January 2015. As advised by the Vendor, the principal business of the PRC Subsidiary C is the operation of restaurants and the provision of catering management. As at the date of the Agreement, the PRC Subsidiary C was owned as to 60% by PRC Subsidiary B and 40% by an Independent Third Party. As advised by the Vendor, as at the date of the Agreement, the PRC Subsidiary C has been dormant since its incorporation.

Financial information on the Target Group

Set out below are the unaudited consolidated financial information of the Target Group, as extracted from its unaudited financial statements for the two years ended 31 December 2016 and 31 December 2015:

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	0	0
Loss before tax	293	1,306
Loss after tax	293	1,306

The unaudited net liabilities of the Target Group as at 31 December 2016 was approximately HK\$2,001,000.

Financial information on the PRC Subsidiary A

Set out below are the unaudited consolidated financial information of the PRC Subsidiary A, as extracted from its unaudited financial statements for two years ended 31 December 2016 and 31 December 2015.

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	2,856	4,515
Loss before tax	569	2,300
Loss after tax	571	2,305

The unaudited net liabilities of the PRC Subsidiary A as at 31 December 2016 was approximately HK\$79,000.

REASONS AND BENEFITS FOR THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in the manufacturing, sales and retailing of garment products and provision of loan.

As disclosed in the annual report of the Company for the year ended 31 March 2017, the Director considered that the business environment is unfavourable for the Group to expand its existing businesses. The Board will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long term benefit to the Group and the Shareholders

With the challenges ahead, the Board considers to diversify its investment portfolio. Taking into account (i) the Sales Shares was a continuing security for the repayment of the Loan and the due performance of the Loan Agreement; and (ii) the Trademark possesses a distinctive attributes to be a competitive brand in the causal catering industry with valuation amount of HK\$155,000,000 as at 31 December 2016; the Board considers that the Acquisition could broaden the Group's income base through investment return and enhance its financial performance and will be beneficial to the Group as a whole.

Having considered the above, the Directors consider the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

SUBSEQUENCE EVENT AFTER THE COMPLETION

On 18 August 2017, the Company entered into a sale and purchase agreement with a company listed on the Main Board of the Stock Exchange, which is an Independent Third Party (the “**Buyer**”), pursuant to which the Company agreed to sell (“**Disposal**”) and the Buyer agreed to purchase 15 shares of the Target Company (being 15% of the total issued shares of the Target Company) for a consideration of HK\$12,000,000.

Based on the consideration of HK\$12,000,000, there was a gain on Disposal of approximately HK\$2,604,000 which is calculated by the consideration of HK\$12,000,000 minus the cost of the 15 shares of the Target Company, being HK\$9,396,000 (HK\$31,320,000 X 15/50). Upon completion of the Disposal, the Target Company was owned as to 35% by the Purchaser.

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal was less than 5% and therefore the Disposal did not constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition were more than 5% but less than 25%, the Acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and was therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

Mr. Ma Chi Ming, being one of the independent non-executive Directors, held 2% of the BVI Subsidiary and therefore abstained from voting on the Board resolutions approving the Acquisition.

Due to an inadvertent oversight, the Company did not announce the Agreement in a timely manner in accordance with the GEM Listing Rules. The Board will adopt measures to strengthen the relevant internal control procedures to prevent occurrence of similar incidents in the future.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms of the Agreement
“Agreement”	the sale and purchase agreement dated 23 May 2017 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors

“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licenced banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“BVI Subsidiary”	Lucky Dessert (China) Holdings Limited, a limited liability company incorporated under the laws of the BVI and was owned as to 49% by the Target Company as at the date of the Agreement
“Company”	L&A International Holdings Limited (stock code: 8195), a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	Being 23 May 2017
“Consideration”	the consideration payable for the Sale Shares under the Agreement, being the amount of HK\$31,320,000
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Subsidiary”	Lucky Dessert (China) Limited, a limited liability company incorporated in Hong Kong, which was wholly-owned by the BVI Subsidiary as at the date of the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its Connected Persons (as defined under the GEM Listing Rules)
“Loan”	the loan made available to the Vendor by the Purchaser under the Loan Agreement, being the amount of HK\$29,000,000
“Loan Agreement”	the loan agreement dated 30 August 2016 entered into between the Purchaser and the Vendor whereby the Purchaser agreed to make available to the Vendor a loan in the total amount of HK\$29,000,000

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“PRC Subsidiary A”	Lucky Dessert (Shenzhen) Catering Management Limited Company* (幸運甜品(深圳)餐飲管理有限公司), a limited liability company established in the PRC, which wholly-owned by the Hong Kong Subsidiary as at the date of the Agreement
“PRC Subsidiary B”	Tianjin Kai Wo Lai Er Catering Limited Company* (天津凱沃萊爾餐飲有限公司), a limited liability company established in the PRC, which wholly-owned by the PRC Subsidiary A as at the date of the Agreement
“PRC Subsidiary C”	Xihang Xian Dai Limited Company* (天津喜尚現代管理餐飲有限公司) a limited liability company established in the PRC, which was owed as to 60% by the PRC Subsidiary A as at the date of the Agreement
“Purchaser”	L & A SOLUTIONS LIMITED, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	50 shares of the Target Company, representing 50% of the entire issued share capital of the Target Company as at the date of the Agreement
“Share(s)”	the ordinary share(s) of HK\$0.04 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Wealth Power Group Limited, a limited liability company incorporated under the laws of the BVI and was owned as to 50% by the Vendor as at the date of the Agreement
“Target Group”	the Target Company and its subsidiaries
“Trademark”	the trademark of “發記甜品”
“Trademark Licensing Agreement”	the trademark licensing agreement dated 29 September 2014 entered into between the PRC Subsidiary A, the Vendor and Wong Yat Cheung in relation to the Trademark granted to the PRC Subsidiary A

“Vendor” Wong Yat Tung

“%” per cent

By Order of the Board
L&A International Holding Limited
Ng Ka Ho
Chairman and executive Director

Hong Kong, 6 December 2017

** In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Ng Ka Ho; and three independent non-executive Directors, namely, Mr. Ma Chi Ming, Mr. Li Kin Ping and Ms. Guo Yan Xia.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

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