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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 DISPOSAL OF A SUBSIDIARY

The Board announces that on 8 August 2017 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchasers, pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to acquire (i) Sale Equities, being 100% equity interest in the Target Company and (ii) the Sale Loan at the consideration of RMB41,000,000, subject to adjustment for the sale proceeds from the Assets Disposal.

GEM LISTING RULES IMPLICATION

As certain applicable percentage ratios for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but exempt from Shareholders' approval under the GEM Listing Rules.

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The principal terms of the Agreement are summarised as follows:

THE AGREEMENT

Date: 8 August 2017

Parties: Vendor: Winsky Management Limited, an indirect wholly-owned subsidiary of the Company

Purchasers: Mr. Li Qiang;
Mr. Li Ping;
Ms. Li Lijuan; and
Mr. Shi Xiuping

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchasers is an Independent Third Party.

The Disposal

Pursuant to the Agreement, the Purchasers conditionally agreed to purchase and the Vendor conditionally agreed to sell:

- (a) the Sale Equities, being 100% equity interest in the Target Company;
- (b) the Sale Loan, being all the obligations, liabilities and debts owing or incurred by the Target Company to the Vendor (whether actual, contingent or deferred) at the Completion Date. As at the date of the Agreement, the Target Company was indebted to the Vendor in the amount of approximately RMB5.7 million.

Consideration

The total consideration payable by the Purchasers for the Sale Equities and the Sale Loan is RMB41,000,000 subject to adjustment on the sale proceeds from the Assets Disposal which in any event shall not exceed RMB3,000,000. The Purchasers shall pay their respective consideration to the Vendor in proportion to Sale Equities acquired by them. The consideration shall be payable by the Purchasers to the Vendor in the following manner:

- (1) RMB1,000,000, being deposit and will form part of the consideration has been deposited by the Purchasers to a PRC bank account (the “**Account**”) co-managed by the Vendor and the Purchasers pursuant to the LOI; and
- (2) the remaining balance of RMB40,000,000 shall be deposited by the Purchasers to the Account on the date of the Agreement.

The consideration was arrived at after arm’s length negotiation between the parties to the Agreement after taking into account the valuation conducted in November 2016 in respect of the Land and Properties at the value of RMB30,980,000.

After the Purchasers have fully deposited RMB41,000,000 to the Account, the Vendor shall within 3 Business Days therefrom to procure the submission of the relevant documents for registration of the transfer of the Sale Equities to the Purchasers with Huizhou ICA.

The consideration in the Account shall be released to the Vendor in the following manner:

- (1) RMB35,000,000 shall be released from the Account to the Vendor on the earlier date (the “**Completion Date**”) of (i) 5 Business Days from receiving the return of acknowledgement of receipt from Huizhou ICA, or (ii) the date of receipt of the notice for approval for change of ownership issued by Huizhou ICA (the “**Approval Date**”);
- (2) RMB2,000,000 shall be used for the payment of any tax arising from the transfer of Sale Equities and the Assets Disposal; should the tax liabilities arising therefrom is less than RMB2,000,000, the remaining sum shall be released to the Vendor by the earlier of the date on which the full repayment of all tax liabilities or the last day of the third month from the date of the Agreement or; should the tax liabilities exceed RMB2,000,000, the additional tax liabilities shall be borne by the Purchasers; and
- (3) RMB4,000,000 shall be released to the Vendor on the last day of the third month from the date of the Agreement after paying any damage and loss incurred by the Purchasers as a result of the breach or default of any terms and conditions of the Agreement by the Vendor.

Assets Disposal

The Purchasers shall procure the Target Company to dispose of all the inventories, plants and equipment in the Target Company within 3 months from the date of the Agreement. The Purchasers shall pay the Vendor additional consideration in the sum equivalent to the sum of (i) the total sale proceeds from the Assets Disposal; (ii) all cash in the Target Company as at the Approval Date; and (iii) all cash in the bank accounts of the Target Company as at the Approval Date. The additional consideration payable by the Purchasers to the Vendor shall in any event not exceed RMB3,000,000.

Completion

Completion shall take place on the Completion Date, on which day the Purchasers shall release RMB35,000,000 from the Account to the Vendor’s designated account and the Vendor shall deliver all the company seal, financial seal and other title documents of the Land and Properties to the Purchasers.

The Land and Properties

The Land comprises a piece and parcel of land with an area of approximately 20,059 square metres located at Ji Hill, Shengli Village, Chenjiang Street Office, Huizhou City, Guangdong, the PRC# (中國廣東省惠州市陳江街道辦事處勝利村吉山). The Target Company is the legal owner of the land use right of the Land which is for industrial use. As at the date of this announcement, there are 4 industry buildings of total gross area of approximately 11,308 square metres and the messuages and erection on the Land. As at 10 November 2016, the valuation of the Land and Properties was approximately RMB30,980,000.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and registered capital of US\$3,000,000 and is principally engaged in production, processing and sales of woolen wear, knitwear and other garment products. The Company indirectly owns 100% equitable interests of the Target Company.

Set out below is a summary of the key financial data of the Target Company based on the audited accounts of the Target Company for the two financial years ended 31 March 2016 and 31 March 2017:

	For the year ended	
	31 March 2017	31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Turnover	11,257	37,868
Loss before tax	6,739	6,150
Loss after tax	6,739	6,414

The audited net asset value of Target Company as at 31 March 2017 was approximately RMB21.6 million.

FINANCIAL IMPACT OF THE DISPOSAL

It is expected that the Company will record a book gain of approximately RMB19.4 million as a result of the Disposal, which represents the difference between the consideration and the audited net assets value of the Target Company as at 31 March 2017. The actual gain or loss in connection with the Disposal will be assessed after Completion and will be subject to audit.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will not be consolidated into the Company's financial statements.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

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 Group for the year ended 31 March 2017 (the "Annual Report"), the garment sector of the consumer market in the United States has been suffering, which led to a significant decrease in the order and the revenue to the Group. The Directors discovered that the major reason for the loss of orders from these existing clients is that the cost of the cashmere products manufactured by the Target Company, being the holding company of a factory in Huizhou, the PRC, which carries out the entire production process including knitting, linking, trimming, washing, ironing and packaging of the Group's cashmere products, is much higher than its competing OEM manufacturers.

In view of this, the Board has evaluated the existing operation model and considered other alternatives to improve the business. The OEM business operates by the Group's OEM clients placing orders with another subsidiary of the Group, which will source and provide the raw materials for the Target Company to manufacture into cashmere products. However, the Board noticed that the cost of maintaining the Target Company is very high in the PRC, which includes labour and employment related cost, compliance with the environmental laws, maintenance of equipment and other fixed costs, etc. Thus, the Group is unable to lower the price of the cashmere products to maintain its competitiveness.

Based on the above findings, the Board intends to change its operation model by placing orders with other OEM manufacturers, instead of maintaining the Target Company, which would substantially reduce the costs of operation and improve the profit margins of the OEM business. Given that the Group will maintain the procurement and quality control teams after the disposal, it can maintain and ensure the high quality of the cashmere products.

As disclosed in the Annual Report, since the Group obtained the money lender licence and commenced money lending business from June 2016, it has generated interest income of approximately HK\$6.4 million up to 31 March 2017 to the Group. As the Group's money lending business is expanding quickly and there is high demand for loans, the Board considered it needs to have more capital in order to expand its loan portfolio, which, in turn, would bring more interest income to the Group.

Hence, the Board considers that the Disposal and the new operation model will enhance the cash position, the working capital of the Company, and thus enable the Company to expand the money lending business, diversify its business and bring an additional income stream to the Group, which in the long run, will bring positive financial and operational impacts to the Company, and will be beneficial to the future development of the Company.

As disclosed in the announcement of the Company dated 27 July 2017, the Group has entered into a sub-sale arrangement for the acquisition of a commercial property in Hong Kong with a tenancy agreement which will bring a stable investment return of approximately 4.4% per annum to the Group. The Directors expect that HK\$30,300,000 from the proceeds of the Disposal will be applied for the payment of the consideration of the sub-sale arrangement which shall lower the potential interest payment arising from bank borrowings, and the remaining balance for development of the money lending business.

Taking into consideration of the above factors, the Directors (including the independent non-executive Directors) consider the terms of the Agreement (including the consideration) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Agreement”	the sale and purchase agreement dated 8 August 2017 and entered into among the Purchasers and the Vendor in relation to the Disposal
“Assets Disposal”	the disposal of inventories, plants and equipment in the Target Company
“Board”	the board of Directors
“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, whose Shares are listed on GEM
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Target Company pursuant to the Agreement
“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 People’s Republic of China
“Huizhou ICA”	the Industry and Commerce Administration Bureau in Huizhou, Guangdong, the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Land”	a piece and parcel of land with an area of approximately 20,059 square metres located at Ji Hill, Shengli Village, Chenjiang Street Office, Huizhou City, Guangdong, the PRC (中國廣東省惠州市陳江街道辦事處勝利村吉山); the Target Company is the legal owner of the land use right of the Land

“LOI”	the letter of intent dated 22 June 2017 and entered into among the Vendor and the Purchasers
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Properties”	4 industrial buildings of total gross area of approximately 11,308 square metres and the messuages and erection on the Land
“Purchasers”	collectively, Mr. Li Qiang, Mr. Li Ping, Ms. Li Lijuan and Mr. Shi Xiuping
“Sale Equities”	collectively, the Sale Equity 1, the Sale Equity 2, the Sale Equity 3 and the Sale Equity 4
“Sale Equity 1”	15% of equity interest in the Target Company to be acquired by Li Qiang
“Sale Equity 2”	30% of equity interest in the Target Company to be acquired by Li Ping
“Sale Equity 3”	40% of equity interest in the Target Company to be acquired by Li Lijuan
“Sale Equity 4”	15% of equity interest in the Target Company to be acquired by Shi Xiu Ping
“Sale Loan”	together, Sale Loan 1, Sale Loan 2, Sale Loan 3 and Sale Loan 4, being all obligations, liabilities and debts owing or incurred by the Target Company to the Company on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at the date of the Agreement, amounted to approximately RMB5.7 million
“Sale Loan 1”	being 15% of Sale Loan to be acquired by Li Qiang
“Sale Loan 2”	being 30% of Sale Loan to be acquired by Li Ping
“Sale Loan 3”	being 40% of Sale Loan to be acquired by Li Lijuan
“Sale Loan 4”	being 15% of Sale Loan to be acquired by Shi Xiu Ping
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.002 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	惠州市惠嘉織造有限公司 (transliterated as Huizhou Huijia Knitting Company Limited), a company established in the PRC with limited liability
“Vendor”	Winsky Management Limited, an indirect wholly-owned subsidiary of the Company, being the vendor of the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 8 August 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. Ng Kai Shing and Mr. Li Kin Ping.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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