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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of L & A International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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.

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2016 together with the unaudited comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Three months ended 30 September		**Six months ended 30 September**	
		2016	2015	**2016**	2015
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**25,937**	81,987	**47,513**	119,240
Cost of sales	*9*	**(34,160)**	(64,759)	**(53,507)**	(93,112)
Gross (loss) profit		**(8,223)**	17,228	**(5,994)**	26,128
Other income	*5*	**109**	1,371	**134**	5,347
Fair value change in structured bank deposits		**–**	(178)	**–**	(107)
Other gains and losses	*6*	**(47)**	(568)	**(47)**	(453)
Selling and distribution expenses		**(1,384)**	(3,051)	**(3,150)**	(5,830)
Administrative and other expenses		**(53,472)**	(9,706)	**(65,783)**	(21,749)
Share of result of an associate		**(5,656)**	–	**(7,845)**	–
Finance costs	*7*	**(387)**	(715)	**(746)**	(1,233)
(Loss) profit before taxation		**(69,060)**	4,381	**(83,431)**	2,103
Income tax credit (expense)	*8*	**486**	(1,459)	**290**	(2,763)
(Loss) profit for the period	*9*	**(68,574)**	2,922	**(83,141)**	(660)

	Notes	Three months ended 30 September **2016** **_HK$'000_** **(unaudited)**	2015 _HK$'000_ (unaudited)	Six months ended 30 September **2016** **_HK$'000_** **(unaudited)**	2015 _HK$'000_ (unaudited)
Other comprehensive expense:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		**(177)**	(2,033)	**(1,043)**	(2,051)
Other comprehensive expense for the period		**(177)**	(2,033)	**(1,043)**	(2,051)
Total comprehensive (expense) income for the period		**(68,751)**	889	**(84,184)**	(2,711)
(Loss) profit for the period attributable to:					
Owners of the Company		**(67,757)**	2,922	**(82,253)**	(660)
Non-controlling interests		**(817)**	–	**(888)**	–
		(68,574)	2,922	**(83,141)**	(660)
Total comprehensive (expense) income for the period attributable to:					
Owners of the Company		**(67,933)**	889	**(83,295)**	(2,711)
Non-controlling interests		**(818)**	–	**(889)**	–
		(68,751)	889	**(84,184)**	(2,711)
(Loss) earnings per share	_11_				
Basic (HK cents)		**(0.290)**	0.015	**(0.378)**	(0.003)
Diluted (HK cents)		**(0.290)**	N/A	**(0.378)**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	**30 September 2016 *HK$'000* (unaudited)**	31 March 2016 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**15,930**	17,367
Investment property		**2,905**	3,033
Prepaid lease payments		**3,397**	3,549
Goodwill	*21*	**7,936**	–
Intangible assets	*12*	**11,221**	–
Interest in an associate	*13*	**464,542**	–
Rental deposit		**–**	200
Loan receivables	*14*	**35,000**	–
Deferred tax assets		**15**	17
		540,946	24,166
CURRENT ASSETS			
Inventories		**21,241**	51,948
Trade and other receivables	*15*	**14,409**	42,566
Loan receivables	*14*	**50,000**	–
Prepaid lease payments		**93**	96
Pledged bank deposits		**14,211**	14,418
Bank balances and cash		**5,873**	16,938
		105,827	125,966
CURRENT LIABILITIES			
Trade payables	*16*	**422**	14,105
Others payables and accrued expenses		**7,243**	10,113
Amounts due to directors	*17*	**1,161**	–
Tax payables		**3,051**	3,092
Bank borrowings	*18*	**8,697**	29,037
		20,574	56,347

	Notes	30 September 2016 HK$'000 (unaudited)	31 March 2016 HK$'000 (audited)
NET CURRENT ASSETS		**85,253**	69,619
TOTAL ASSETS LESS CURRENT LIABILITIES		**626,199**	93,785
NON-CURRENT LIABILITY			
Deferred tax liabilities		**2,823**	23
NET ASSETS		**623,376**	93,762
CAPITAL AND RESERVES			
Share capital	*19*	**51,200**	40,000
Reserves		**569,014**	53,762
Equity attributable to owners of the Company		**620,214**	93,762
Non-controlling interests		**3,162**	–
		623,376	93,762

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital *HK$'000*	Share premium *HK$'000* *(Note (i))*	Translation reserve *HK$'000*	Special reserve *HK$'000* *(Note (ii))*	Share options reserve *HK$'000*	Other reserve *HK$'000*	Retained profits/ (Accumulated losses) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2015 (audited)	40,000	23,823	8,927	28,431	–	4,327	23,109	128,617	–	128,617
Exchange differences arising on the translation of foreign operations	–	–	(2,051)	–	–	–	–	(2,051)	–	(2,051)
Loss for the period	–	–	–	–	–	–	(660)	(660)	–	(660)
Total comprehensive income (expense) for the period	–	–	(2,051)	–	–	–	(660)	(2,711)	–	(2,711)
At 30 September 2015 (unaudited)	40,000	23,823	6,876	28,431	–	4,327	22,449	125,906	–	125,906
At 1 April 2016 (audited)	**40,000**	**23,823**	**3,374**	**28,431**	**–**	**4,327**	**(6,193)**	**93,762**	**–**	**93,762**
Exchange differences arising on the translation of foreign operations	**–**	**–**	**(1,042)**	**–**	**–**	**–**	**–**	**(1,042)**	**(1)**	**(1,043)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(82,253)**	**(82,253)**	**(888)**	**(83,141)**
Total comprehensive income (expense) for the period	**–**	**–**	**(1,042)**	**–**	**–**	**–**	**(82,253)**	**(83,295)**	**(889)**	**(84,184)**

	Share capital HK$'000	Share premium HK$'000 (Note (i))	Translation reserve HK$'000	Special reserve HK$'000 (Note (ii))	Share options reserve HK$'000	Other reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Acquisition of an associate through issuance of share *(note 13)*	2,260	470,127	–	–	–	–	–	472,387	–	472,387
Acquisition of a business *(note 21)*	–	–	13	–	–	–	–	13	4,051	4,064
Placing of shares	5,740	54,241	–	–	–	–	–	59,981	–	59,981
Transaction costs attributable to issuance of shares	–	(600)	–	–	–	–	–	(600)	–	(600)
Recognition of equity-settled share-based payments	–	–	–	–	37,006	–	–	37,006	–	37,006
Exercise of share option	3,200	70,542	–	–	(32,782)	–	–	40,960	–	40,960
At 30 September 2016 (unaudited)	51,200	618,133	2,345	28,431	4,224	4,327	(88,446)	620,214	3,162	623,376

Notes:

(i) Special reserve represented the difference between the nominal amount of the share capital and share premium issued by L & A Interholdings Inc. and the nominal amount of the share capital issued by the Company pursuant to the group reorganisation.

(ii) Other reserve arose from the waiver of loan from a shareholder of the Company in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2016

	Note	**Six months ended 30 September 2016** **HK$'000** **(unaudited)**	2015 *HK$'000* (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		**(78,567)**	(6,721)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**–**	5,205
Consideration and related expenses from immediate holding company received for disposal of property, plant and equipment		**–**	3,100
Placement of pledged bank deposits		**–**	(5,000)
Purchase of property, plant and equipment		**(52)**	(42)
Acquisition of a business	*21*	**(12,372)**	–
Interest received		**14**	1
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(12,410)**	3,264
FINANCING ACTIVITIES			
New bank borrowings raised		**36,495**	73,841
Repayment of bank borrowings		**(56,834)**	(61,994)
Interest paid		**(685)**	(1,233)
Repayment of obligations under finance leases		**–**	(46)
Proceeds from issuance of shares		**59,981**	–
Proceeds from exercise of share options		**40,960**	–
Advance from directors		**11,400**	–
Repayment to directors		**(10,300)**	–
Transaction costs attributable to issuance of shares		**(600)**	–

	Note	Six months ended 30 September 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
NET CASH FROM FINANCING ACTIVITIES		**80,417**	10,568
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(10,560)**	7,111
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**16,938**	15,808
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(505)**	(851)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		**5,873**	22,068

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 June 2015. The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 10 October 2015. Pursuant to the enforcement on 11 May 2016, as a result of the share charge over 840,000,000 shares in the share capital of the Company executed by Yang's Holdings Capital Limited, a private limited company incorporated in the British Virgin Islands, in favor of a licensed money lender in Hong Kong as security for a term loan facility granted to Yang's Holdings Capital Limited, which reduced the shareholding interests of Yang's Holdings Capital Limited, from 51.02% to 30.02% (the "Share Charge"), Yang's Holdings Capital Limited ceased to be the Company's immediate holding company. Accordingly, the holding company of Yang's Holdings Capital Limited, YWH Investment Holding Limited, a private limited company incorporated in the British Virgin Islands and Mr. Yang Wan Ho who controls YWH Investment Holding Limited, also ceased to be the ultimate controlling shareholder of the Company on 11 May 2016. The addresses of the registered office and the principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman, KY-1104 Cayman Islands and Flat 1, Block C, 11/F, Hong Kong Spinner Industrial Building, Phase 5, 762 Cheung Sha Wan Road, Kowloon, Hong Kong, respectively.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, United States dollars ("US$"). The directors of the Company consider that presenting the condensed consolidated financial statements in HK$ is preferable when controlling and monitoring the performance and financial position of the Group.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules").

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 September 2016 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2016.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date which the share options granted vest immediately, with a corresponding increase in share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Share options granted to other parties

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in share option reserve, when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in current period:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of these new and revised HKFRSs did not have any material impact on the Group's condensed consolidated interim financial information.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company who are also directors of certain major operating subsidiaries), for the purpose of resource allocation and performance assessment. These directors regularly review revenue and results analysis by (i) OEM Business, (ii) Retail Business and (iii) Money Lending Business. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to these directors.

(i) OEM Business: manufacturing and sales of OEM garment products

(ii) Retail Business: retailing and wholesaling of garment products under the Group's own brand and high-end fashion brand

(iii) Money Lending Business: provision of loan services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 September 2016 (unaudited)

	OEM Business *HK$'000*	Retail Business *HK$'000*	Money lending business *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue						
External sales	**42,812**	**3,746**	**955**	**47,513**	**–**	**47,513**
Inter-segment sales*	**480**	**–**	**–**	**480**	**(480)**	**–**
Total segment revenue	**43,292**	**3,746**	**955**	**47,993**	**(480)**	**47,513**
Results						
Segment results	**(16,220)**	**(7,306)**	**797**	**(22,729)**		**(22,729)**
Corporate expenses						**(52,198)**
Share of result of an associate						**(7,845)**
Finance costs						**(746)**
Other income and other gains and losses						**87**
Loss before taxation						**(83,431)**

Six months ended 30 September 2015 (unaudited)

	OEM Business *HK$'000*	Retail Business *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue					
External sales	111,270	7,970	119,240	–	119,240
Inter-segment sales*	4,343	–	4,343	(4,343)	–
Total segment revenue	115,613	7,970	123,583	(4,343)	119,240
Results					
Segment results	10,060	(5,823)	4,237	–	4,237
Corporate expenses					(5,688)
Finance costs					(1,233)
Other income and other gains and losses					4,787
Profit before taxation					2,103

* Inter-segment revenue is charged at prevailing market rates.

Segment results represents profit earned from each segment without allocation of other income and other gains and losses, corporate expenses, share of result of an associate and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Claims receivable from customers for cancelled orders	**90**	1,349	**108**	5,086
Rental income from an investment property	**–**	–	**–**	83
Bank interest income	**13**	–	**14**	1
Others	**6**	22	**12**	177
	109	1,371	**134**	5,347

6. OTHER GAINS AND LOSSES

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net loss on disposal of property, plant and equipment	**–**	(398)	**–**	(183)
Others	**(47)**	(170)	**(47)**	(270)
	(47)	(568)	**(47)**	(453)

7. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on:				
Bank borrowings wholly repayable within five years	**326**	713	**685**	1,229
Obligations under finance leases	**–**	2	**–**	4
Amounts due to directors	**61**	–	**61**	–
	387	715	**746**	1,233

8. INCOME TAX (CREDIT) EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Hong Kong Profits Tax *(Note (i))*				
— current period	**(195)**	1,309	**–**	2,637
PRC Enterprise Income Tax ("EIT") *(Note (ii))*				
— current period	**–**	186	**–**	186
	(195)	1,495	**–**	2,823
Deferred tax	**(291)**	(36)	**(290)**	(60)
	(486)	1,459	**(290)**	2,763

Notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC.

9. (LOSS) PROFIT FOR THE PERIOD/COST OF SALES

(Loss) profit for the period

	Three months ended 30 September		**Six months ended 30 September**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):				
Directors' remuneration:				
— Fees	**1,286**	1,786	**1,902**	3,526
— Other emoluments, salaries and other benefits	**–**	252	**–**	486
— Retirement benefit scheme contributions	**9**	14	**18**	23
	1,295	2,052	**1,920**	4,035
Other staff salaries and allowances	**8,143**	10,840	**14,063**	21,974
Retirement benefit scheme contributions, excluding those of directors	**207**	246	**428**	511
Share-based payments	**3,214**	–	**3,214**	–
Total employee benefits expenses	**12,859**	13,138	**19,625**	26,520
Cost of inventories recognised as an expense	**33,394**	62,133	**51,336**	87,773
Depreciation of an investment property	**19**	20	**38**	40
Depreciation of property, plant and equipment	**536**	1,293	**1,159**	2,731
Amortisation of intangible assets (included in administrative and other expenses)	**1,152**	–	**1,152**	–
Amortisation of prepaid lease payments	**24**	27	**48**	55
Allowance for inventories	**7,441**	–	**7,441**	–
Net exchange loss	**375**	48	**503**	76

Costs of sales

Cost of sales included cost of inventories and other direct operating cost of retail business such as rental of retail shops.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 September 2016 (2015: Nil).

11. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) earnings				
(Loss) earnings for the purposes of basic earnings per share (loss) profit for the period attributable to the owners of the Company)	**(67,757)**	2,922	**(82,253)**	(660)
Number of shares				
Weighted average number of ordinary shares in issue for the purposes of basic (loss) earnings per share	**23,399,289,764**	20,000,000,000	**21,776,862,885**	20,000,000,000
Effect of dilutive potential ordinary shares in respect of share options *(Note)*	**–**	–	**–**	–
Weighted average number of ordinary shares for the purposes of dilutive (loss) earnings per share	**23,399,289,764**	20,000,000,000	**21,776,862,885**	20,000,000,000

Note: The computation of diluted loss per share for the three months and six months ended 30 September 2016 does not assume the exercise of the Company's share options since their exercise would result in an increase in loss per share.

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share for the three months and six months ended 30 September 2016 and 2015 have been adjusted for the subdivision of shares as detailed in note 19(ii).

No diluted (loss) earnings per share has been presented for the three months and six months ended 30 September 2015 as the Company has no potential dilutive ordinary shares outstanding during both periods.

12. INTANGIBLE ASSETS

The intangible assets represent trademark and employment service contract which arose from acquisition of business as disclosed in note 21.

13. INTEREST IN AN ASSOCIATE

On 28 April 2016, the Group entered into a sales and purchase agreement with New Star International Development Limited, SOPD, Incsight Limited, Zhu Jun, Lai Kwok Ho, Li Jia, Chi Weina and Ji Wei (collectively the "Vendors") and The9 Limited ("Guarantor") pursuant to which the Group conditionally agreed to purchase 47.63% of equity interests in Red 5 Studios, Inc. ("Red 5"), a limited liability company incorporated in Delaware, the United States of America.

Red 5 and its subsidiaries are principally engaged in the development of innovative entertainment software and online games in the United States of America, Europe, the PRC and Southeast Asia. The acquisition was completed on 20 June 2016. 226,022,723 shares of the Company were allotted and issued to Vendors in proportion to numbers of shares sold by each of the Vendor.

Cost of investment in Red 5 and its subsidiaries was approximately HK$472,387,000, which represented the fair value of the ordinary shares of the Company, determined using the published bid price available at 20 June 2016.

14. LOAN RECEIVABLES

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	30 September 2016 *HK$'000* **(unaudited)**	31 March 2016 *HK$'000* (audited)
Fixed-rate loan receivables:		
Within one year	**50,000**	–
In more than one year but not more than two years	**35,000**	–
	85,000	–

The ranges of effective interest rates on the Group's loan receivables are as follows:

	30 September 2016 *HK$'000* **(unaudited)**	31 March 2016 *HK$'000* (audited)
Effective interest rate:		
Fixed-rate loan receivables	**12% to 18% p.a.**	N/A

The collaterals of loan receivables included shares of a private company in Hong Kong and a company listed on the Stock Exchange.

15. TRADE AND OTHER RECEIVABLES

	30 September 2016 *HK$'000* **(unaudited)**	31 March 2016 *HK$'000* (audited)
Trade receivables, net of allowance for doubtful debts	**8,076**	23,556
Prepayments, deposits and other receivables	**5,378**	4,861
Interest receivables	**955**	–
Consideration receivable	**–**	14,149
	14,409	42,566

The Group allows credit period ranging from 30 days to 60 days to customers from OEM Business. For Retail Business, its revenue comprises of cash, credit card sales and concessionaire sales through concession counters in department stores. The credit period granted to banks and department stores ranges from 30 days to 60 days.

The following is an ageing analysis of trade receivables, net of allowance for doubtful debts presented based on the invoice date or the monthly statement received from department stores at the end of the reporting period.

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**6,247**	21,412
31–60 days	**–**	444
61–90 days	**–**	202
Over 90 days	**1,829**	1,498
	8,076	23,556

16. TRADE PAYABLES

The ageing analysis of the trade creditors presented based on the invoice date at the end of each reporting period is as follows:

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 60 days	**134**	13,808
61 to 90 days	**–**	7
Over 90 days	**288**	290
	422	14,105

17. AMOUNTS DUE TO DIRECTORS

The balances represented amounts due to Mr. Ng Ka Ho and Mr. Ma Chi Ming. The balances were denominated in HK$, bearing interest at the fixed rate of 8% per annum, unsecured and repayable on demand.

18. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately HK$36,495,000 (2015: approximately HK$73,841,000) and repaid approximately HK$56,834,000 (2015: approximately HK$61,994,000).

The bank borrowings of the Group are secured and repayable within one year from the end of the reporting period based on scheduled repayment dates set out in the loan agreements. All the bank borrowings contain a repayable on demand clause, hence, the amounts are shown under current liabilities.

The bank borrowings as at 30 September 2016 carry interest at Trade Finance Rate quoted by the lender plus 1.00% to 1.75% per annum (31 March 2016: carry interests at Trade Finance Rate quote by the lender plus 1.00% to 1.75% per annum). The ranges of effective interest rates on borrowings are 4.26% to 8.22% per annum as at 30 September 2016 (31 March 2016: 2.01% to 6.75% per annum).

The trust receipt loans of HK$1,695,000 and advance to manufacturers on purchase orders of HK$7,002,000 (31 March 2016: trust receipt loan of HK$11,816,000 and advance to manufacturer loans of HK$17,221,000) were secured by:

— Undertakings of certain subsidiaries of the Company

— Pledged bank deposits of HK$14,211,000 (31 March 2016: HK$14,418,000)

During the current interim period, the Group could not comply with certain bank covenants under the bank facilities, which are primarily related to the consolidated tangible net worth of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the borrowings with the relevant banker. As at 31 March 2016, the relevant bank borrowings amounted to approximately HK$8,697,000. In addition, on 11 May 2016, the Group further breached another covenant requirement of the bank borrowings as the Group could not comply with the shareholding requirement upon the enforcement of Share Charge as stated in note 1. Up to the date of approval for issuance of these condensed consolidated financial statements, all the outstanding bank borrowings have been repaid and no new bank borrowings have been obtained. In any event, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

19. SHARE CAPITAL

	Notes	**Number of shares**	**Amount** *HK$'000*
Authorised:			
— At 1 April 2016, ordinary shares of HK$0.01 each		10,000,000,000	100,000
— Increase in authorised share capital,ordinary shares of HK$0.002 each		40,000,000,000	–
— At 30 September 2016, ordinary shares of HK$0.002 each	*(ii)*	50,000,000,000	100,000
Issued and fully paid:			
— At 1 April 2016, ordinary shares of HK$0.01 each		4,000,000,000	40,000
— Issue of shares upon acquisition of an associate	*(i)*	226,022,723	2,260
— Share subdivision of HK$0.002 each	*(ii)*	16,904,090,892	–
— Issue of shares upon placing	*(iii)*	2,869,886,385	5,740
— Exercise of share options	*(iv)*	1,600,000,000	3,200
— At 30 September 2016, ordinary shares of HK$0.002 each		25,600,000,000	51,200

Notes:

(i) On 20 June 2016, 226,022,723 ordinary shares of the Company of HK$0.01 each were issued in relation to the acquisition of an associate as disclosed in note 13.

(ii) Pursuant to the resolutions of the shareholders passed at an extraordinary general meeting of the Company on 21 June 2016, every one issued and unissued ordinary share with a par value of HK$0.01 each in the share capital of the Company was subdivided into 5 ordinary shares with a par value of HK$0.002 each, such that the authorised share capital of the Company is HK$100,000,000 divided into 50,000,000,000 shares with a par value of HK$0.002 each, the subdivided shares shall rank pari passu in all aspects with each other in accordance with the memorandum and articles of association of the Company.

(iii) On 11 August 2016, 2,869,886,385 new shares of the Company were placed at the placing price of HK$0.0209 per placing share. For details, details of these are set out in the Company's announcement dated 11 August 2016.

(iv) During the current interim period, 1,600,000,000 ordinary shares of the Company of HK$0.002 each were issued upon the exercise of 1,600,000,000 share options.

20. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the condensed consolidated statement of financial position and in note 17.

(b) Related party transactions

Saved as disclosed in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

Related party	**Nature of expenses paid/ payable by the Group**	**Three months ended 30 September**		**Six months ended 30 September**	
		2016	2015	**2016**	2015
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Mr. Yang Wan Ho	Rental	**62**	62	**123**	123
Parkerson Trading Limited	Rental	**53**	53	**105**	105
Kitwise Limited	Rental	**122**	122	**244**	244
Mr. Ng Ka Ho	Interest	**33**	–	**33**	–
Mr. Ma Chi Ming	Interest	**28**	–	**28**	–

(c) Compensation of directors and key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Salaries and other allowances	**1,286**	2,340	**1,902**	4,617
Retirement benefit scheme and contributions	**9**	14	**18**	23
	1,295	2,354	**1,920**	4,640

The remuneration of directors and key management personnel are determined having regard to the performance of the individuals.

21. ACQUISITION OF A BUSINESS

On 17 May 2016, the Group acquired 55.56% of the issued share capital of Aji On Worldwide Holdings Limited and its subsidiaries (collectively "Aji On") for a cash consideration of HK$13,000,000, subject to the revenue guarantee of and adjustments on consideration. This acquisition has been accounted for using the purchase method. The amount of provisional goodwill arising as a result of the acquisition was HK$7,936,000. Aji On was acquired so as to captivate audiences of high-end fashion retail industry in the PRC.

Based on the acquisition agreement of Aji On, the revenue guarantee of Aji On from 17 May 2016 till 31 December 2018 will be 3.33 multiplied by the total amount the Company will be advanced to Aji On from 17 May 2016 till 31 December 2018, which will not be exceeding RMB9,000,000 ("Revenue Guarantee"). In case the Revenue Guarantee could not be met, the seller of Aji On is required to pay back the Company an amount of 5% of the Revenue Guarantee.

As at the acquisition date and up to the date of the issuance of this condensed consolidated financial statements, the directors are of the opinion that the revenue guarantee would be met based on the latest forecast of Aji On. No adjustment to the contingent consideration is considered necessary, however, it may be adjusted upon the completion of initial accounting year which shall not exceed on year from the respective acquisition date when the directors consider probable that the Revenue Guarantee cannot be met.

Acquisition-related costs amounting to HK$201,000 have been excluded from the consideration transferred and have been recognised as an expense in the current reporting period, within the administrative expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Intangible assets	12,373
Other receivables	309
Bank balances and cash	628
Other payables	(1,102)
Deferred tax liabilities	(3,093)
	9,115

Provisional goodwill arising on acquisition:

	HK$'000
Consideration transferred	13,000
Plus: non-controlling interests (44.44% in Aji On)	4,051
Less: net assets acquired	(9,115)
Provisional goodwill arising on acquisition	7,936

Cash flows arising on acquisition:

	HK$'000
Cash consideration paid for acquisition	13,000
Less: bank balances and cash acquired	(628)
Net cash outflow	12,372

Provisional goodwill arose in the acquisition of Aji On because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Aji On. These benefits are not recognised separately from provisional goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the provisional goodwill arising on this acquisition is expected to be deductible for tax purposes.

The provisional goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and the independent valuation to assess the provisional fair value of the identifiable assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date.

During the current interim period, acquired businesses contributed HK$33,000 to the Group's revenue and incurred loss of HK$1,997,000 for the period between the date of acquisition and the end of the reporting period.

Had the above acquisition been effected at the beginning of the current interim period, the total amount of revenue of the Group for the current interim period would have been HK$47,513,000, and the amount of the loss would have been HK$82,538,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at the beginning of the current interim period, nor is it intended to be a projection of future results.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 September 2014 for the primary purpose of providing incentives or rewards to eligible participants, and will expire on 10 October 2024. Under the Scheme, the Board of Directors of the Company may grant options to:

(a) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of the subsidiaries or any entity (the "Invested Entity") in which the Company holds an equity interest;

(b) any non-executive Directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to the Company or any of its subsidiaries or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(f) any shareholders or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

At 30 September 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 200,000,000, representing 0.8% (2015: Nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option (which must be a business day); and (ii) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day).

The following table discloses movements of the Company's share options held by employees and consultants during the current interim period:

	Outstanding at 1 April 2016	Granted during period	Exercised during period	Outstanding at 30 September 2016
Consultants	–	1,600,000,000	(1,400,000,000)	200,000,000
Employees	–	200,000,000	(200,000,000)	–
	–	1,800,000,000	(1,600,000,000)	200,000,000
Exercisable at the end of the period				200,000,000
Weighted average exercise price	N/A	HK$0.0256	HK$0.0256	HK$0.0256

The options were granted on 22 July 2016. The estimate fair value of the options granted is HK$37,006,000.

In respect of the share options exercised during current interim period, the weighted average share price at the dates of exercise is HK$0.048.

These fair value was calculated by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group, using the Binomial model. The inputs into the model were as follows:

Weighted average share price	K$0.024
Exercise price	HK$0.0256
Expected volatility	98.02%
Expected life	9.99 years
Risk-free rate	0.98%
Expected dividend yield	nil

Expected volatility was determined by using the historical volatility of the Company's share price since 10 October 2014, the date of the Company has been listed on the Growth Enterprise Market of the Stock Exchange. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$37,006,000 during the current interim period in relation to share options granted by the Company.

23. NON-CASH TRANSACTION

During the current interim period, the acquisition of 47.63% of equity interest in Red 5 was settled by the allotment and issuance of the Company's ordinary shares.

24. LEGAL PROCEEDINGS

During the current interim period, there were 2 legal proceedings against the Company:

(i) Registration of Shares of the Company (the "Registration")

Reference is made to the Company's announcements dated 9 August 2016 and 28 October 2016 in relation to the originating summons dated 27 July 2016 (the "Originating Summons of the Registration") filed by (i) Sun Jiyou; (ii) Chen Haiyan; (iii) Liu Jing; (iv) Ling Chuanshun; (v) Zhang Bing; and (vi) Xiao Laiwen as the plaintiffs (collectivity, the "Plaintiffs of the Registration") against the Company and Yang's Holdings Capital Limited ("Yang's Holdings") as the defendants in the High Court of Hong Kong (the "Court") (the "Legal Proceedings of the Registration") and a summons dated 28 July 2016 (the "Summons of the Registration") filed by the Plaintiffs of the Registration for the Legal Proceedings of the Registration.

In the Originating Summons of the Registration, the Plaintiffs of the Registration sought, inter alia, (i) orders from the Court that the Company shall register in aggregate of 1,545,000,000 shares of the Company (the "Relevant Shares") which were allegedly transferred from Yang's Holdings to the Plaintiffs of the Registration; (ii) declaration from the Court that the Plaintiffs of the Registration are the beneficial owners of the Relevant Shares in their respective proportion; and (iii) an injunction, inter alia, that pending registration of the Plaintiffs of the Registration as the registered shareholders of the Company, Yang's Holdings shall exercise all rights attached to the Relevant Shares (including but not limited to voting rights at general meetings of the Company) according to the instructions of the Plaintiffs of the Registration and, that the Company shall exercise and/or count the votes of the Plaintiffs of the Registration in the general meetings.

In the Summons of the Registration, the Plaintiffs of the Registration applied for, inter alia, (i) an order that Yang's Holdings be compelled to exercise its voting rights in any general meetings of the Company in accordance with the instructions of the Plaintiffs of the Registration; (ii) an order that the Company shall register the transfer of the Relevant Shares (the "Registration Order Sought"); and (iii) an injunction against the Company that the Company be restrained from holding any general meeting of the shareholders (including but not limited to the annual general meeting) until such date after the completion of the registration of the Relevant Shares (the "Injunction Sought").

The Summons of the Registration was heard on 5 August 2016, the Court ordered, inter alia, that (i) Yang's Holdings shall exercise its voting rights in respect of the Relevant Shares in any general meetings of the Company in accordance with the instructions of the Plaintiffs of the Registration (the "Voting Order") and the other orders sought by the Plaintiffs of the Registration in the Summons of the Registration be adjourned for argument.

On 23 August 2016, Flying Mortgage Limited (the "Flying Mortgage"), who claims to have interests in the Relevant Shares, issued a summons ("Flying Mortgage Summons"), inter alia, for leave to (i) intervene in the Legal Proceedings of the Registration; (ii) be joined as the third defendant in the Legal Proceedings of the Registration; and (iii) vary the Voting Order to the effect that Yang's Holdings shall not exercise its voting rights in respect of the Relevant Shares in any general meeting of the Company.

The Court gave a written decision on 26 October 2016 and ruled, inter alia, that (i) the Registration Order Sought and the Injunction Sought in the Summons of the Registration be dismissed; (ii) the Voting Order be varied to the effect that Yang's Holdings shall not exercise its voting rights in respect of the Relevant Shares in any general meeting of the Company until further order; (iii) Flying Mortgage was allowed to intervene and be jointed as the third defendant in the Legal Proceedings of the Registration; and (iv) the Company shall not register the Relevant Shares until further order of the Court.

The directors of the Company will follow the Court Order in relation to the Registration of the Shares. In the opinion of the directors of the Company, no contingent liability is expected up to the date of this condensed consolidated financial statements.

(ii) Share options of the Company (the "Share Options")

Reference is made to the Company's announcement dated 2 September 2016 in relation to, inter alia, (i) a draft originating summons to be filed by Ge Qingfu, Li Quan and Liu Longcheng as the plaintiffs (collectivity, the "Plaintiffs of the Share Options") against the Company and all the directors of the Company as the defendants in the Court; and (ii) a draft injunction order received by the Company's legal adviser on 26 August 2016.

The Company's legal adviser received on 30 August 2016 a hearing bundle containing, inter alia, an originating summons (the "Originating Summons of the Share Options") issued by the Plaintiffs of the Share Options on 26 August 2016 and claimed against the Company, the directors of the Company, eight grantees of share options referred to in the Company's announcement dated 22 August 2016 (the "Share Option Announcement"), and two broker firms as the defendants in the Court (the "Legal Proceedings of the Share Options") and a draft injunction order for the Legal Proceedings of the Share Options.

In the Originating Summons of the Share Options, the Plaintiffs of the Share Options sought reliefs, inter alia, (i) a declaration that the granting of the 2,000,000,000 share options referred to in the Share Option Announcement ("Purported Options") is void and of no legal effect or, alternatively, voidable; (ii) a declaration that any allotment of shares made pursuant to the exercise of any of the Purported Options is void and no legal effect or, alternatively, voidable; (iii) the Company and the Directors (whether acting by themselves, their officers, servants, agents or otherwise howsoever) be restrained from: (1) recognising or giving effect or otherwise taking any step to implement the purported exercise of any of the Purported Options; (2) recognising or giving effect or otherwise taking any step to implement the exercise of any disposition, rights (including voting rights) or power attached to the 1,800,000,000 shares of the Company derived from the exercise of the Purported Options; (3) taking, or procuring the taking, of any steps to alter the issued share capital of the Company save and except for those which are for proper purposes and in the best interests of the Company; (4) taking, or procuring the taking, of any step to frustrate or defeat the requisition contained in the notice of requisition dated 23 August 2016 issued by the Plaintiffs (the "Plaintiffs Requisition") for the purpose of convening an extraordinary general meeting of the Company to be held; or alternatively, an order requiring the Company to convene the extraordinary general meeting set out in the Plaintiffs Requisition within 21 days from the date of deposit of the requisition in accordance with Article 12.3 of the Articles of Association of the Company.

The Company and the directors of the Company (except Mr. Yang Si Hang who was absent and unpresented) in the hearing heard on 31 August 2016 undertook to the Court, inter alia, not to give effect to the exercise of any of the outstanding 200,000,000 share options and not to alter the issued share capital of the Company without the leave of the Court. No injunction order was made against the Company and the directors of the Company. The Company is seeking legal advice in respect of the Legal Proceedings of the Share Options.

In the opinion of the directors of the Company, no contingent liability is expected up to the date of this condensed consolidated financial statements.

25. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 September 2016, the Company planned to reduce excessive workers in the PRC, the directors of the Company expected the total redundancy payment of approximately HK$4,000,000 will be paid.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally derives its revenue from manufacturing and selling Pure Cashmere Apparel and Other Apparel products under its two business arms: (i) OEM business segment, which entails product design and development, raw materials sourcing and procurement, manufacturing and product quality control management (the "OEM business") and (ii) apparel retail business segment, which entails designing, procuring, manufacturing, marketing and retailing of Pure Cashmere Apparel and Other Apparel products as well as accessories through an established retail network in Hong Kong under the Group's proprietary trademarks, "*Casimira*" and "*Les Ailes*" (the "Retail Business").

Further to our disclosures earlier in the year on the downward trend of our business, the performance of our OEM Business continued to experience decline as compared to the same period last year. Shopping trends in the United States of America ("US") has been shifted from major branded apparels to large affordable fashion retailers, and spending patterns shifted towards a higher willingness to spend on electronics products instead. As a result, major apparel brands in the US are experiencing this pressure and resulting in a wave of cost cutting, store closures and discounted sales of their products this period. This trend is particularly evident for "middle" market brands where they cannot charge excessive premium for their products or lower their cost sufficiently to compete with large scale affordable fashion retailers. Unfortunately, our products rely on the performance of these "middle" market branded retailers in the US and their poor performance has negatively impacted us in this period and is expected to continue throughout the rest of the year. While we do not foresee the disappearance of this market segment, we do expect reduced sales from them, as well as higher demand from them for cost control and lower priced products. Based on our long term experience in this industry, we believe this is part of the cyclical nature of the fashion industry. While we have stepped up the efforts in controlling our expenses, such as redundant excessive headcount, we are also looking for innovative ways on how we can weather this downturn and at the same time look for opportunities in any niche segment that our know-how in cashmere garment manufacturing that we could utilize on.

For the Retail Business, the decline in revenue is mainly attributable to the prolongation of the sluggish consumer market in Hong Kong, arising from the negative consumption sentiments of the general consumers and tourists under the persistent uncomfortable shopping atmosphere. These trigger the consequence of weak foot traffic and declining number of Mainland customers visiting Hong Kong.

The Group has commenced the Money Lending Business in Hong Kong during the period. The Group targets customers who look for substantial loan amounts and can offer security for the relevant loans.

During the period under review, except for the commencement of Money Lending Business, the Group had no material changes in its business nature and principal activities.

PROSPECTS

For the OEM Business, the downturn in the US retail industry as previously disclosed was much more severe than the management of the Company had anticipated and some players in the US retail market may even face liquidity issues. Based on the management's past experience in previous downturn cycles of this industry, it will be a prudent approach not to accept any risk in the attempt to secure business during such challenging moment. Aside, from the reducing sales orders from the major customers, the Group is also facing ever-increasing cost of productions in Mainland China. The estimated revenue of OEM Business for the period from 1 October 2016 to 31 December 2016 is expected to decline significantly as compared to the same period of last year. However, the management of the Company will continue to find new orders and customers to widen the customer base and reallocate the resources for production according to the order received in order to save cost.

For the Retail Business, the management of the Company will closely monitor the consumers' behaviour and will continue the promotion campaigns. The management of the Company is also monitoring the movement of the rental of retail outlets and will adjust the expansion plan for Retail Business if necessary. Despite the uncertainties, the management of the Company still remains positive towards the Retail Business.

Furthermore, the management of the Company is also looking for new investment opportunities, especially retail market in Mainland China and Hong Kong, in order to compensate the shrinking retail market of cashmere garments in the US.

To diversify the Group's business scope and broaden the Group's sources of income, the Group is now engaged in money lending business in Hong Kong. The Group targets customers who look for substantial loan amounts and can offer security for the relevant loans. The financial performance of money lending business will review separately from that of the other operating segments and its results will be presented as a separate operating and reportable segment. Looking forward, the Group will from time to time aims to focus on money lending business and seek the business opportunities that can broaden the income base of the Group and create the maximum returns to the shareholder.

FINANCIAL REVIEW

Revenue

The Group's revenue dropped from approximately HK$119.2 million for the six months ended 30 September 2015 to approximately HK$47.5 million for the six months ended 30 September 2016, representing a decrease of approximately 60.2%. The revenue of OEM Business decreased by approximately 61.5% to approximately HK$42.8 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015. On the other hand, the revenue from Retail Business decreased by approximately 52.9% to approximately HK$3.7 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015.

The following table sets forth the breakdowns of the revenue of the Group by segment for each of the six months ended 30 September 2015 and 30 September 2016.

	Six months ended 30 September			
	2016		2015	
	HK$'000	***%***	*HK$'000*	*%*
OEM Business	**42,812**	**90.1**	111,270	93.3
Retail Business	**3,746**	**7.9**	7,970	6.7
Money Lending Business	**955**	**2.0**	–	–
	47,513	**100.0**	119,240	100.0

Cost of Sales and Gross Profit

The majority of the Group's cost of sales was raw material costs. The Group's cost of sales dropped by 42.5% to approximately HK$53.5 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015. The gross profit margin decreased from approximately 21.9% for the six months ended 30 September 2015 to approximately -12.6% for the six months ended 30 September 2016. The gross profit dropped by approximately -122.9% to approximately HK$-6.0 million for the six months ended 30 September 2016 as compared to the six months ended 30 September 2015.

Expenses

Selling and administrative expenses for the six months ended 30 September 2016 was approximately HK$68.9 million (six months ended 30 September 2015: approximately HK$27.6 million), representing a increase of approximately HK$41.3 million, as a result of approximately HK$37.0 million share option expenses and approximately HK$10.1 million professional expenses incurred in relation to legal proceedings and a voluntary conditional offer by Favorite Number Limited, which was subsequently withdrawn.

Loss for the period

The loss for the six months ended 30 September 2016 was approximately HK$83.1 million. The loss for the six months ended 30 September 2015 was approximately HK$0.7 million.

Liquidity, Financial Resources and Capital Structure

Historically, the Group has funded the liquidity and capital requirements primarily through operating cash flows and bank borrowings. The Group's bank borrowings are primarily for financing raw materials purchases. As at 30 September 2016, the Group had bank borrowings of approximately HK$8.7 million (31 March 2016: HK$29.0 million). The decrease is mainly due to the Group intends to lower the gearing ratio.

As at 30 September 2016, the bank borrowings of the Group are secured and repayable within one year from the end of the reporting period based on scheduled repayment dates set out in the loan agreements. The variable rate bank borrowings carry interests at trade finance rates quoted by the lender plus 1.00% to 1.75% per annum. The ranges of effective interest rates on borrowings are 4.26% to 8.22% per annum as at 30 September 2016 (31 March 2016: 2.01% to 6.75% per annum).

As at 30 September 2016, the Group had approximately HK$5.9 million in bank balance and cash (31 March 2016: HK$16.9 million).

Capital Raising

Reference is made to the announcement of the Company dated on 21 July 2016. The Company entered a placing agreement with a placing agent for the placing of an aggregate of 2,869,886,385 new shares of the Company at a placing price of HK$0.0209 per share. The Placing was completed on 11 August 2016.

Capital Commitments

The Group did not have any significant capital commitments as at 30 September 2016 (31 March 2016: nil).

Gearing ratio

As at 30 September 2016, the Group's gearing ratio was approximately 1.4% (31 March 2016: approximately 31.0%), based on total debt of approximately HK$8.7 million and total equity of approximately HK$623.4 million. The decrease was mainly attributable to increase in the repayment of bank borrowings during the six months ended 30 September 2016.

Note: Gearing ratio is calculated as the total debt divided by total equity. Total debt includes bank borrowings.

Charge over Assets of the Group

As at 30 September 2016, the Group had pledged deposits of approximately HK$14.2 million (31 March 2016: approximately HK$14.4 million). These deposits are pledged to banks to secure bank facilities granted to the Group.

Legal Proceedings

Registration of Shares of the Company (the "Registration")

Reference is made to the Company's announcements dated 9 August 2016 and 28 October 2016 respectively in relation to the originating summons dated 27 July 2016 (the "Originating Summons of the Registration") filed by (i) Sun Jiyou; (ii) Chen Haiyan; (iii) Liu Jing; (iv) Ling Chuanshun; (v) Zhang Bing; and (vi) Xiao Laiwen as the plaintiffs (collectivity, the "Plaintiffs of the Registration") against the Company and Yang's Holding Capital Limited ("Yang's Holding") as the defendants in the High Court of Hong Kong (the "Court") (the "Legal Proceedings of the Registration") and a summons dated 28 July 2016 (the "Summons of the Registration") filed by the Plaintiffs of the Registration for the Legal Proceedings of the Registration.

In the Originating Summons of the Registration, the Plaintiffs of the Registration sought, inter alia, (i) orders from the Court that the Company shall register in aggregate of 1,545,000,000 shares of the Company (the "Relevant Shares") which were allegedly transferred from Yang's Holdings to the Plaintiffs of the Registration; (ii) declaration from the Court that the Plaintiffs of the Registration are the beneficial owners of the Relevant Shares in their respective proportion; and (iii) an injunction, inter alia, that pending registration of the Plaintiffs of the Registration as the registered shareholders of the Company, Yang's Holdings shall exercise all rights attached to the Relevant Shares (including but not limited to voting rights at general meetings of the Company) according to the instructions of the Plaintiffs of the Registration and, that the Company shall exercise and/or count the votes of the Plaintiffs of the Registration in the general meetings.

In the Summons of the Registration, the Plaintiffs of the Registration applied for, inter alia, (i) an order that Yang's Holdings be compelled to exercise its voting rights in any general meetings of the Company in accordance with the instructions of the Plaintiffs of the Registration; (ii) an order that the Company shall register the transfer of the Relevant Shares (the "Registration Order Sought"); and (iii) an injunction against the Company that the Company be restrained from holding any general meeting of the shareholders (including but not limited to the annual general meeting) until such date after the completion of the registration of the Relevant Shares (the "Injunction Sought").

The Summons of the Registration was heard on 5 August 2016, the Court ordered, inter alia, that (i) Yang's Holdings shall exercise its voting rights in respect of the Relevant Shares in any general meetings of the Company in accordance with the instructions of the Plaintiffs of the Registration (the "Voting Order") and the other orders sought by the Plaintiffs of the Registration in the Summons of the Registration be adjourned for argument.

On 23 August 2016, Flying Mortgage Limited (the "Flying Mortgage"), who claims to have interests in the Relevant Shares, issued a summons ("Flying Mortgage Summons"), inter alia, for leave to (i) intervene in the Legal Proceedings of the Registration; (ii) be joined as the third defendant in the Legal Proceedings of the Registration; and (iii) vary the Voting Order to the effect that Yang's Holding shall not exercise its voting rights in respect of the Relevant Shares in any general meeting of the Company.

The Court gave a written decision on 26 October 2016 and ruled, inter alia, that (i) the Registration Order Sought and the Injunction Sought in the Summons of the Registration be dismissed; (ii) the Voting Order be varied to the effect that Yang's Holdings shall not exercise its voting rights in respect of the Relevant Shares in any general meeting of the Company until further order; (iii) Flying Mortgage was allowed to intervene and be jointed as the third defendant in the Legal Proceedings of the Registration; and (iv) the Company shall not register the Relevant Shares until further order of the Court.

The Directors of the Company will follow the Court Order in relation to the Registration of the Shares. As a result, no contingent liability is expected up to the issuance of the interim report.

Share Options of the Company (the "Share Options")

Reference is made to the Company's announcement dated 2 September 2016 in relation to, inter alia, (i) a draft originating summons to be filed by Ge Qingfu, Li Quan and Liu Longcheng as the plaintiffs (collectivity, the "Plaintiffs of the Share Options") against the Company and all the directors of the Company (the "Directors") as the defendants in the Court; and (ii) a draft injunction order received by the Company's legal adviser on 26 August 2016.

The Company's legal adviser received on 30 August 2016 a hearing bundle containing, inter alia, an originating summons (the "Originating Summons of the Share Options") issued by the Plaintiffs of the Share Options on 26 August 2016 and claimed against the Company, the Directors, eight grantees of share options referred to in the Company's announcement dated 22 August 2016 (the "Share Option Announcement"), and two broker firms as the defendants in the Court under action number HCMP 2222 of 2016 (the "Legal Proceedings of the Share Options") and a draft injunction order for the Legal Proceedings of the Share Options.

In the Originating Summons of the Share Options, the Plaintiffs of the Share Options sought reliefs, inter alia, (i) a declaration that the granting of the 2,000,000,000 share options referred to in the Share Option Announcement ("Purported Options") is void and of no legal effect or, alternatively, voidable; (ii) a declaration that any allotment of shares made pursuant to the exercise of any of the Purported Options is void and no legal effect or, alternatively, voidable; (iii) the Company and the Directors (whether acting by themselves, their officers, servants, agents or otherwise howsoever) be restrained from: (1) recognising or giving effect or otherwise taking any step to implement the purported exercise of any of the Purported Options; (2) recognising or giving effect or otherwise taking any step to implement the exercise of any disposition, rights (including voting rights) or power attached to the 1,800,000,000 shares of the Company derived from the exercise of the Purported Options; (3) taking, or procuring the taking, of any steps to alter the issued share capital of the Company save and except for those which are for proper purposes and in the best interests of the Company; (4) taking , or procuring the taking, of any step to frustrate or defeat the requisition contained in the notice of requisition dated 23 August 2016 issued by the Plaintiffs (the "Plaintiffs Requisition") for the purpose of convening an extraordinary general meeting of the Company to be held; or alternatively, an order requiring the Company to convene the extraordinary general meeting set out in the Plaintiffs Requisition within 21 days from the date of deposit of the requisition in accordance with Article 12.3 of the Articles of Association of the Company.

The Company and the Directors (except Yang Si Hang who was absent and unpresented) in the hearing heard on 31 August 2016 undertook to the Court, inter alia, not to give effect to the exercise of any of the outstanding 200,000,000 share options and not to alter the issued share capital of the Company without the leave of the Court. No injunction order was made against the Company and Directors. The Company is seeking legal advice in respect of the Legal Proceedings of the Share Options.

As a result, no contingent liability is expected up to the issuance of the interim report.

Significant investments, acquisitions and disposals, and Plans for Material Investment or Capital Assets

On 28 April 2016, the Group entered into a sales and purchase agreement with New Star International Development Limited, SOPD, Incsight Limited, Zhu Jun, Lai Kwok Ho, Li Jia, Chi Weina and Ji We ("Vendors") and The9 Limited ("Guarantor") pursuant to which the Group conditionally agreed to purchase 47.63% of equity interests in Red 5 Studios, Inc. ("Target Company"), a limited liability company incorporated in Delaware, the United States of America for a total of consideration of US$76,500,000 (equivalent to approximately HK$596,700,000). The Target Company and its subsidiaries are principally engaged in the development of innovative entertainment software and online games in the United States of America, Europe, the PRC and Southeast Asia.

The transaction was completed on 20 June 2016.

226,022,723 shares at issue price of HK$2.64 per share were allotted and issued to Vendors in proportion to numbers of shares sold by the Vendors. Details are set out in the announcements of the Company dated 28 April 2016 and 20 June 2016.

Save for above, there were no significant investments held as at 30 September 2016, nor other material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 September 2016. There is no future plan for material investments or capital assets as at 30 September 2016.

Contingent Liabilities

As at 30 September 2016, the Group had no material contingent liabilities (2015: nil).

Foreign Exchange Risk

The Group settles the cost of production in Renminbi ("RMB") and Hong Kong dollars ("HK$") and most of the sales of the Group are settled in United States dollars ("US$") and others are denominated in HK$. Therefore, the Group is exposed to foreign exchange risk of both US$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

Employees and Remuneration Policies

As at 30 September 2016, the Group had approximately of 120 employees. The Group's staff cost for the six months ended 30 September 2016 amounted to approximately HK$19.6 million. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognises the importance of good relationship with its employees. The remuneration payable to its employees includes salaries and allowance.

In Hong Kong, the Group's employees have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). In the PRC, the Group's employees have participated in various security insurance including social insurance prescribed by the Social Insurance Law of PRC (《中華人民共和國社會保險法》), and housing provident fund prescribed by the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Company's prospectus dated 30 September 2014 (the "Prospectus") with actual business progress for the six months ended 30 September 2016.

Business plan as set out in the Prospectus	**Progress up to 30 September 2016**
Expansion of the Group's OEM Business	
Purchase of cashmere yarns	The fund has been used to purchase cashmere yarns for production.
Marketing and promotion activities	The Group met OEM customers regularly for exchange of new ideas in respect of fashion market trend and introducing the Group's craftsmanship in knitting.
Purchase of new production machineries	The funds have been used to maintain the productivity of the existing machineries.
Improving water quality systems	Some funds have been used to improve the water quality systems.

Business plan as set out in the Prospectus	Progress up to 30 September 2016
Expansion of the Retail Business	
Establish new Concession Stores or Free-Standing Stores	The Group has set up 1 Free-Standing Stores and 1 Concession Stores during the period. The Group is reviewing the needs and timeframe for establishing new retail outlets.
Brand promotional and marketing activities	The Group has placed various advertisements on magazines during the period. The Group is planning to escalate its marketing efforts by continuing existing advertising activities on a more extensive scale.
Upgrading ERP system	Due to the change in use of proceeds as disclosed in the announcements of the Company dated 25 June 2015 and 16 July 2015, there is no further progress in respect of upgrading ERP system.

Reference is also made to the announcements of the Company dated 25 June 2015 and 16 July 2015 relating to the change in use of proceeds. The plan to purchase of new production machineries and upgrade its ERP System as scheduled and disclosed in the Prospectus was changed (see the information under the heading of "USE OF PROCEEDS FROM THE PLACING OF SHARES" of this announcement).

PRINCIPAL RISKS AND UNCERTAINTIES

Operational Risk

The Group is exposed to the operational risk in relation to each business division of the Group. To manage the operational risk, the management of each business division is responsible for monitoring the operation and assessing the operational risk of their respective business divisions. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the Directors and seek directions. The Group emphasises on ethical value and prevention of fraud and bribery and has established a whistleblower program, including communication with other departments and business divisions and units, to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial Risks

The Group is exposed to the credit risk and liquidity risk.

Credit Risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity Risk

The Directors has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity. In this regard, the Directors consider that the Group's liquidity risk is effectively managed.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The net proceeds from the listing of the shares of the Company by way of placing on the GEM of the Stock Exchange ("Placing") were approximately HK$41.5 million, which was based on the final placing price of HK$0.6 per share after deducting the underwriting commission and actual expenses related to the Placing. Accordingly, the Group adjusted the use of proceeds in the same manner and proportion as shown in the Prospectus.

As disclosed in the Company's announcements dated 24 June 2015 and 16 July 2015, the Board has utilised approximately HK$15.0 million of the net proceeds from the Placing as deposit to trade facilities account in order to lower the interest expense of the Group.

During the review period, the Group has applied the net proceeds as follows:

	Adjusted use of proceeds in the same manners and proportion as stated in prospectus and announcements dated 24 June 2015 and 16 July 2015	Actual utilised amount up to 30 September 2016
	HK$'000	*HK$'000*
Expansion of the OEM Business	15,640	14,203
Expansion of the Retail Business	6,694	4,651
Deposit to trade facilities account	15,000	15,000
General working capital	4,118	4,118
Total	41,452	37,972

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2016, the interest and short position of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) as 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 and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Ordinary Shares of the Company (the "Shares")

Name of Director/ chief executive	Capacity/ Nature of Interests	Number of Underlying Shares[1]	Percentage of the Company's issue share capital as at 30 September 2015
Mr. Yang Si Hang[2]	Beneficiary of trust	6,003,880,000	23.45%

Notes:

(1) All interests stated are long positions.

(2) YWH Investment Holding Limited ("YWH"), a company wholly owned by the Yang's Family Trust, directly holds the entire issued share capital of Yang's Holdings Capital Limited ("Yang's Holdings"). The Yang's Family Trust is a discretionary trust established by Mr. Yang Wan Ho (as the settlor) and the discretionary beneficiaries of which include Mr. Yang Wan Ho, Mr. Yang Si Hang, Ms. Yang Sze Man Salina and Mr. Yang Si Kit Kenny. Mr. Yang Si Hang, an executive Director and chief executive officer of the Company, who retired as a Director on 28 October 2016, is one of the beneficiaries of the Yang's Family Trust. He is therefore deemed to be interested in the 6,003,880,000 Shares indirectly held by Yang's Holdings.

Save as disclosed above, as at 30 September 2016, none of the Directors and chief executive of the Company had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) as 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 and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2016, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under 336 of the SFO:

Ordinary Shares of the Company

Name of Shareholder	Capacity/ Nature of Interests	Number of Underlying Shares[1]	Percentage of the Company's issue share capital as at 30 September 2015
Mr. Yang Wan Ho ("Mr. Yang")	Founder and beneficiary of a discretionary trust	6,003,880,000	23.45%

Name of Shareholder	Capacity/ Nature of Interests	Number of Underlying Shares[1]	Percentage of the Company's issue share capital as at 30 September 2015
Cantrust (Far East) Limited[2]	Trustee of trust	6,003,880,000	23.45%
YWH[2]	Interest in a controlled corporation	6,003,880,000	23.45%
Yang's Holdings[2]	Beneficial owner	6,003,880,000	23.45%
Mr. Yang Si Kit Kenny[2]	Beneficiary of trust	6,003,880,000	23.45%
Ms. Leung Shui Yee[3]	Interest of spouse	6,003,880,000	23.45%
Ms. Chan Lo Mei[4]	Interest of spouse	6,003,880,000	23.45%
Ge Qingfu	Beneficial owner	2,565,324,000	10.02%
Tsang Elton Ka Wai	Beneficial owner	1,392,936,000	5.44%

Notes:

(1) All interests stated are long positions.

(2) Cantrust (Far East) Limited, the trustee of the Yang's Family Trust, holds the entire issued share capital of YWH. YWH, in turn, holds the entire issued share capital of Yang's Holdings. The Yang's Family Trust is a discretionary trust established by Mr. Yang (as the settlor) and the discretionary beneficiaries of which include Mr. Yang, Mr. Yang Si Hang, Ms. Yang Sze Man Salina and Mr. Yang Si Kit Kenny. Accordingly, each of Mr. Yang, Cantrust (Far East) Limited and YWH is deemed to be interested in the 6,003,880,000 Shares held by Yang's Holdings.

(3) Ms. Leung Shui Yee is the spouse of Mr. Yang Si Hang. By virtue of the SFO, Ms. Leung Shui Yee is deemed to be interested in the same number of Shares in which Mr. Yang Si Hang is deemed to be interested.

(4) Ms. Chan Lo Mei is the spouse of Mr. Yang Si Kit Kenny. By virtue of the SFO, Ms. Chan Lo Mei is deemed to be interested in the same number of Shares in which Mr. Yang Si Kit Kenny is deemed to be interested.

Save as disclosed above, as at 30 September 2016, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company passed on 25 September 2014, the Group has conditionally adopted a share option scheme (the "Share Option Scheme") under which certain employees, consultants and advisers of the Group including the executive Directors may be granted options to subscribe for the Company's shares.

Reference is made to the announcement of the Company dated 22 August 2016 in regards to the grant of option. As at 30 June 2016, the Company had 200,000,000 (30 September 2015: Nil) share options outstanding under the Share Option Scheme, which represented approximately 0.01% (30 September 2015: Nil) of its issued share capital on that date. Details of movements in the share options under the Share Option Scheme ("Share Options") during the period were as follows:

Participants	Exercisable period	Exercise price per share of the Company HK$	Outstanding at 1 April 2016	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding at 30 September 2016
Consultants	22 July 2016 to 21 July 2026	0.0256	–	1,600,000,000	(1,400,000,000)	–	200,000,000
Employees	22 July 2016 to 21 July 2026	0.0256	–	200,000,000	(200,000,000)	–	–
			–	1,800,000,000	(1,600,000,000)	–	200,000,000

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 September 2016, the Company has complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules and there has been no deviation in relation thereto.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company.

On 21 April 2016, Yang's Holdings Capital Limited executed a share charge over 840,000,000 (the "Share Charge") in the share capital of the Company in favour of a licensed money lender in Hong Kong as security for a term loan facility granted to Yang's Holdings Capital Limited. On 11 May 2016, the Share Charge has been enforced and transferred to independent third party(ies). As a result of the enforcement, the shareholding interest of Yang's Holdings Capital Limited in the Company was reduced from approximately 51.02% to 30.02% of the entire issue share capital of the Company.

Save for the above and upon the Group's specific enquiry, each Director confirmed that he/she had fully complied with the required standard of dealings and there was no event of non-compliance during the six months ended 30 September 2016 and up to the date of this announcement.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2016.

COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

AUDIT COMMITTEE

The Company has established the Audit Committee with terms in compliance with the Code as set out in Appendix 15 to the GEM Listing Rules. The duties of the Audit Committee are to primary review financial statements of the Company and oversee internal control procedures of the Company.

The Audit Committee consists of 3 independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Ma Chi Ming and Mr. Kwong Lun Kei Victor. Mr. Chan Ming Sun Jonathan is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 and is of the opinion that the preparation of such statements complied with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Interest of the compliance adviser

As notified by the compliance adviser of the Company, TC Capital International Limited (formerly known as TC Capital Asia Limited) ("TC Capital"), to the Company pursuant to rule 6A.32 of the GEM Listing Rules, as at 30 September 2016, save for TC Capital as the sponsor and one of the joint bookrunners and one of the joint lead managers in relation to the Listing of shares and the compliance adviser agreement entered into between the Company and TC Capital dated 17 July 2014, neither TC Capital or its directors, employees or close associates (as defined in GEM Listing Rules) had any interest in the Group.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors is as follows:

Mr. Chan Ming Sun Jonathan, the independent non-executive Director, has been appointed as an independent non-executive director of Dining Concepts Holdings Limited (Stock code: 8056) with effect from 27 July 2016.

Change of Directors and Company Secretary

1. Mr. Ng Ka Ho was re-designated as the chairman of the Board, appointed as a member of the Remuneration Committee, the compliance officer and an authorised representative of the Company with effect from 22 April 2016.

2. Mr. Yang Si Kit Kenny resigned as the chairman of the Board, an executive Director, a member of the Remuneration Committee, the compliance officer and an authorised representative of the Company with effect from 22 April 2016.

3. Ms. Cheung Marn Kay was resigned as an independent non-executive Director, chairlady of the Remuneration Committee and the Nomination Committee, and a member of the Audit Committee of the Company with effect from 29 April 2016.

4. Mr. Ma Chi Ming was appointed as an independent non-executive Director and a member of the Audit Committee of the Company with effect from 29 April 2016.

5. Mr. Yang Si Hang ceased to be a member of the Nomination Committee of the Company with effect from 29 April 2016.

6. Mr. Ng Ka Ho was appointed as a member of the Nomination Committee of the Company with effect from 29 April 2016.

7. Mr. Kwong Lun Kei Victor was re-designated to be the chairman of the Remuneration Committee and the Nomination Committee of the Company respectively with effect from 29 April 2016.

8. Ms. Chan Ming Sun Jonathan was appointed as a member of the Remuneration Committee and Nomination Committee of the Company respectively with effect from 29 April 2016.

9. Mr. Wong Lok Man was resigned as the company secretary of the Company with effect from 16 May 2016.

10. Mr. Leung Tze Wai was appointed as the company secretary of the Company with effect from 16 May 2016.

11. Mr. Yang Si Hang retired as a Director of the Company with effect from 28 October 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lna.com.hk). The interim report of the Company for the six months ended 30 September 2016 containing all the information required by the GEM Listing Rules will be dispatched to the Company's shareholders and published on the above websites.

By Order of the Board
L & A INTERNATIONAL HOLDINGS LIMITED
Ng Ka Ho
Chairman and Executive Director

Hong Kong, 14 November 2016

As at the date of this announcement, the executive Director is Mr. Ng Ka Ho; the non-executive Director is Mr. Wong Chiu Po; the independent non-executive Directors are Mr. Chan Ming Sun Jonathan, Mr. Kwong Lun Kei Victor and Mr. Ma Chi Ming