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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 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG
LIMITED (THE “STOCK EXCHANGE”)**

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

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board 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 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”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 September 2018 (the “Interim Financial Statements”) together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the three months ended		For the six months ended	
		30 September		30 September	
		2018	2017	2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	5	22,217	6,458	36,924	10,902
Cost of sales		(19,925)	(3,389)	(32,441)	(6,401)
Gross profit		2,292	3,069	4,483	4,501
Other income		208	72	539	72
Fair value change on financial assets through profit or loss		2,279	3,755	1,316	3,755
Other gains and losses, net		(1,903)	(269,339)	(4,276)	(268,878)
Selling and distribution expenses		(1,303)	(426)	(1,720)	(1,542)
Administrative and other expenses		(8,239)	(5,327)	(13,560)	(11,819)
Gain on disposal of subsidiaries		8,247	29,536	8,247	29,536
Share of result of an associate		–	(6,501)	–	(10,803)
Finance costs		–	(370)	–	(591)
Profit (loss) before taxation		1,581	(245,531)	(4,971)	(255,769)
Income tax credit (expense)	6	162	(223)	380	(464)
Profit (loss) for the period		1,743	(245,754)	(4,591)	(256,233)

	Note	For the three months ended		For the six months ended	
		30 September		30 September	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive income (expense)					
for the period:					
<i>Item that may be reclassified subsequently</i>					
<i>to profit or loss:</i>					
Exchange differences on translation of					
foreign operations		111	377	(209)	836
Release of translation reserve upon					
disposal of subsidiaries		1,149	–	1,149	–
		<u>1,260</u>	<u>377</u>	<u>940</u>	<u>836</u>
Total comprehensive income (expense)					
for the period		<u>3,003</u>	<u>(245,377)</u>	<u>(3,651)</u>	<u>(255,397)</u>
Profit (loss) for the period attributable to:					
Owners of the Company		2,196	(245,438)	(3,755)	(255,579)
Non-controlling interests		(453)	(316)	(836)	(654)
		<u>1,743</u>	<u>(245,754)</u>	<u>(4,591)</u>	<u>(256,233)</u>
Total comprehensive income (expense)					
for the period attributable to:					
Owners of the Company		2,100	(245,047)	(4,118)	(254,718)
Non-controlling interests		903	(330)	467	(679)
		<u>3,003</u>	<u>(245,377)</u>	<u>(3,651)</u>	<u>(255,397)</u>
			(restated)		(restated)
Earnings (loss) per share	8				
Basic and diluted (HK cents)		<u>0.17</u>	<u>(19.17)</u>	<u>(0.29)</u>	<u>(19.97)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2018 <i>HK\$'000</i> (unaudited)	At 31 March 2018 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,538	164
Investment property	9	–	30,300
Goodwill		219	219
Intangible assets		381	4,578
Financial asset at fair value through other comprehensive income		27,612	–
Available for sale investment		–	21,924
Loan receivables	10	189	–
Deferred tax assets		7	7
		29,946	57,192
CURRENT ASSETS			
Inventories		13,067	4,570
Loan receivables	10	53,246	41,899
Trade receivables	11	3,474	14,984
Prepayments, deposits and other receivables		4,048	5,509
Financial assets at fair value through profit or loss		6,853	10,698
Bank balances and cash		38,824	16,097
		119,512	93,757
CURRENT LIABILITIES			
Trade payables	12	1,882	2,266
Others payables and accrued expenses		7,347	9,530
Tax payables		923	836
		10,152	12,632

		At 30 September 2018 <i>HK\$'000</i> (unaudited)	At 31 March 2018 <i>HK\$'000</i> (audited)
NET CURRENT ASSETS		<u>109,360</u>	<u>81,125</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>139,306</u>	<u>138,317</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		<u>77</u>	<u>1,125</u>
NET ASSETS		<u>139,229</u>	<u>137,192</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	51,200	51,200
Reserves		<u>88,192</u>	<u>86,622</u>
Equity attributable to owners of the Company		139,392	137,822
Non-controlling interests		<u>(163)</u>	<u>(630)</u>
		<u>139,229</u>	<u>137,192</u>

NOTES

For the six months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 October 2014. The addresses of the registered office and the principal place of business of the Company are P.O. Box 309, Uglan House, Grand Cayman, KY1-1104 Cayman Islands and Unit No. D, 5th Floor, Wing Hong Centre, No. 18 Wing Hong Street, 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, money lending business and wholesaling business.

2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the annual report for the year ended 31 March 2018 (the "2018 Annual Report"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for the financial year begin on or after 1 April 2018. The effect of adoption of the new and revised HKFRSs on how the results and financial position for the current or prior accounting periods have been prepared or presented are set out in Note 4. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2018 Annual Report.

The Interim Financial Statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values.

4. APPLICATION OF NEW AND REVISED HKFRSs

Except as described below, the accounting policies applied are consistent with those of the 2018 Annual Report.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting HKFRS 9 “Financial Instruments”.

The impact of the adoption of the new standard and the new accounting policy are disclosed below.

The Group used modified retrospective approach while adopting HKFRS 9 without restating comparative information. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position as at 1 April 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained as follow.

	At 31 March 2018 as originally presented HK\$'000	HKFRS 9 HK\$'000	At 1 April 2018 Restated HK\$'000
Consolidated statement of financial position (extract)			
Non-current assets			
Financial asset at fair value through other comprehensive income (“FVOCI”)	–	27,612	27,612
Available for sale investment	21,924	(21,924)	–
Equity			
Investment revaluation reserve	<u>–</u>	<u>5,688</u>	<u>5,688</u>

There is no other material impact on the comparative consolidated statement of profit or loss and comprehensive income by adopting HKFRS 9.

(a) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments are not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position as at 1 April 2018.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The Group elected to present in other comprehensive income ("OCI") the changes in the fair value of all its equity investments previously classified as available for sale investment, because this investment is held as long-term strategic investment that is not expected to be sold in the short to medium term. As a result, asset with a carrying value of approximately HK\$21,924,000 was reclassified from available for sale investment to FVOCI and the accumulative fair value gains of approximately HK\$5,688,000 was recognised the investment revaluation reserve on 1 April 2018. There will be no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of this investment. There's no impact to other income for the six months ended 30 September 2018 as there was no disposal of FVOCI in current period.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities upon initial adoption.

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- loan receivables; and
- trade and other receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Loan receivables

The Group applies the HKFRS 9 to assess the lifetime expected credit losses for loan receivables when the credit risk has increased significantly. For that purpose, loan receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, no additional loss allowance was determined for loan receivables as at 1 April 2018.

Loan receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period.

Trade and other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables from initial recognition.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade and other receivables as at 1 April 2018 and 30 September 2018.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to make contractual payments.

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The majority of the Group's revenue are sales of garment and other products to the customers and interest income generated from loan receivables. The Directors reviewed and assessed the new recognition requirements of the revenue, the application of HKFRS 15 had no material impact on the Interim Financial Statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has commenced assessment on the impact of these new HKFRSs but is not yet in a position to conclude whether these new HKFRSs will have a material impact on its results of operation and financial position.

5. 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 who are also directors of certain major operating subsidiaries of the Company), for the purpose of resource allocation and performance assessment. These Directors regularly review revenue and results analysis by (i) OEM business; (ii) retail business; (iii) money lending business; and (iv) wholesaling 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
- (iv) Wholesaling business: wholesaling of baby products and seafood

Segment revenue and results

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

For the six months ended 30 September 2018 (unaudited)

	OEM business <i>HK\$'000</i>	Retail business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Wholesaling business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>26,549</u>	<u>793</u>	<u>1,143</u>	<u>8,439</u>	<u>-</u>	<u>36,924</u>
Results						
Segment results	2,645	484	1,143	211	-	4,483
Unallocated corporate expenses						(15,280)
Other income/gains and losses, net						(3,737)
Fair value change on FVTPL						1,316
Gain on disposal of subsidiaries						8,247
Finance costs						<u>-</u>
Loss before taxation						<u><u>(4,971)</u></u>

For the six months ended 30 September 2017 (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	3,064	3,011	4,827	10,902	–	10,902
Inter-segment sales*	488	–	–	488	(488)	–
Total segment revenue	<u>3,552</u>	<u>3,011</u>	<u>4,827</u>	<u>11,390</u>	<u>(488)</u>	<u>10,902</u>
Results						
Segment results	(1,680)	(3,869)	3,987	(1,562)	–	(1,562)
Unallocated corporate expenses						(7,298)
Other income/gains and losses, net						(268,806)
Fair value change on FVTPL						3,755
Gain on disposal of a subsidiary						29,536
Share of result of an associate						(10,803)
Finance costs						<u>(591)</u>
Loss before taxation						<u>(255,769)</u>

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

Segment results represent results from each segment without allocation of certain corporate expenses, other income/gains and losses, net, fair value change of FVTPL, gain on disposal of subsidiaries, 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.

6. INCOME TAX (CREDIT) EXPENSE

	For the three months ended		For the six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong Profits Tax (<i>Note (i)</i>)				
– current period	56	385	56	788
People's Republic of China (“PRC”) Enterprise Income Tax (“EIT”) (<i>Note (ii)</i>) – current period	–	–	–	–
	56	385	56	788
Deferred tax	(218)	(162)	(436)	(324)
	<u>(162)</u>	<u>223</u>	<u>(380)</u>	<u>464</u>

Notes:

(i) Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the six months ended 30 September 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

(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.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Six months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings (loss)				
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share, being profit (loss) for the period attributable to the owners of the Company	<u>2,196</u>	<u>(245,438)</u>	<u>(3,755)</u>	<u>(255,579)</u>
		(restated)		(restated)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	<u>1,280,000,000</u>	<u>1,280,000,000</u>	<u>1,280,000,000</u>	<u>1,280,000,000</u>

The weighted average number of ordinary shares for the three months and six months ended 30 September 2017 for the purpose of basic and diluted earnings (loss) per share has been adjusted for the share consolidation on 9 October 2017.

Diluted earnings (loss) per share for the three months and six months ended 30 September 2018 were the same as the basic earnings (loss) per share as the Company had no diluted potential ordinary shares outstanding during both periods.

The computation of diluted loss per share for the three months and six months ended 30 September 2017 does not assume the exercise of the Company's share options since their exercise would result in an increase in loss per share.

9. INVESTMENT PROPERTY

During the six months ended 30 September 2018, investment property of approximately HK\$30,022,000 was disposed of by the Group through the disposal of a subsidiary. Details of which are set out in the announcement dated 23 March 2018 and the circular dated 10 July 2018 of the Company.

10. LOAN RECEIVABLES

At	At
30 September	31 March
2018	2018
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(audited)

Fixed-rate loan receivables analysed for reporting purpose as:

Non-current asset	189	–
Current asset	53,246	41,899
	<u>53,435</u>	<u>41,899</u>

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

At	At
30 September	31 March
2018	2018
<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)	(audited)

Effective interest rate:

Fixed-rate loan receivables	<u>5% to 18% p.a.</u>	<u>12% to 18% p.a.</u>
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11. TRADE RECEIVABLES

	At 30 September 2018 <i>HK\$'000</i> (unaudited)	At 31 March 2018 <i>HK\$'000</i> (audited)
Trade receivables, net of allowance for doubtful debts	<u>3,474</u>	<u>14,984</u>

The 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 which approximates the respective revenue recognition dates, at the end of the reporting period is:

	At 30 September <i>HK\$'000</i> (unaudited)	At 31 March <i>HK\$'000</i> (audited)
0 – 30 days	1,814	114
31 – 60 days	656	2,016
61 – 90 days	73	7,840
Over 90 days	<u>931</u>	<u>5,014</u>
	<u>3,474</u>	<u>14,984</u>

12. 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:

	At 30 September 2018 <i>HK\$'000</i> (unaudited)	At 31 March 2018 <i>HK\$'000</i> (audited)
0 to 60 days	594	744
61 to 90 days	1,145	263
Over 90 days	<u>143</u>	<u>1,259</u>
	<u>1,882</u>	<u>2,266</u>

13. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount HK\$'000
Authorised:			
– At 1 April 2017, ordinary shares of HK\$0.002 each		50,000,000,000	100,000
– Effect of share consolidation to HK\$0.04 each	<i>(a)</i>	(47,500,000,000)	–
– Increase in authorised share capital	<i>(b)</i>	<u>10,000,000,000</u>	<u>400,000</u>
– At 31 March 2018 and 30 September 2018, ordinary shares of HK\$0.04 each		<u>12,500,000,000</u>	<u>500,000</u>
Issued and fully paid:			
– At 1 April 2017, ordinary shares of HK\$0.002 each		25,600,000,000	51,200
– Share consolidation of HK\$0.04 each	<i>(a)</i>	<u>(24,320,000,000)</u>	–
– At 31 March 2018 and 30 September 2018, ordinary shares of HK\$0.04 each		<u>1,280,000,000</u>	<u>51,200</u>

Notes:

- (a) Pursuant to the resolutions of the shareholders passed at an extraordinary general meeting of the Company on 6 October 2017, every twenty issued and unissued ordinary shares with a par value of HK\$0.002 each in the share capital of the Company be consolidated into one ordinary share with a par value of HK\$0.04 each, such that the authorised share capital of the Company is HK\$100,000,000 divided into 2,500,000,000 shares with a par value of HK\$0.04 each, the consolidated shares shall rank pari passu in all aspects with each other in accordance with the memorandum and articles of association of the Company.
- (b) On 9 October 2017, immediately after the shares consolidation become effective, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$500,000,000 by the creation of an additional 10,000,000,000 shares of HK\$0.04 each.

14. 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 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 of the Company, 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.

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 as consideration. Options may be exercised at any time from the date of grant of the share options. The exercise price is determined by the Directors, 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); (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); and (iii) nominal value of the Company's share.

At 30 September 2018, no options had been granted and remained outstanding under the Scheme (31 March 2018: Nil).

15. LEGAL PROCEEDING

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 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.

The Court gave a written decision on 26 October 2016 and ruled upon the Company’s undertaking not to register the transfer of the relevant shares (i.e. 1,545,000,000 ordinary shares of the Company before the share consolidation on 6 October 2017) (the “Relevant Shares”) in it until further order of the Court, including but not limited to: (i) the application by the Plaintiffs of the Registration for the order that the Company shall register the transfer of the Relevant Share and the injunction sought in the Summons of the Registration be dismissed; and (ii) the Company shall not register the Relevant Shares until further order of the Court.

The Directors will follow the court order in relation to the Registration of the Relevant Shares. As a result, no contingent liability is expected up to the issue of the Interim Financial Statements.

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 and Mr. Yang Si Hang (“Mr. Yang”) 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, an originating summons issued by the Plaintiffs of the Share Options on 26 August 2016 and claimed against the Company, the Directors, Mr. Yang, eight grantees of Share Options referred to in the Company’s announcement dated 22 August 2016, 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.

The Legal Proceedings of the Share Options was fixed to be tried on 12 July 2017. The Company will make further announcement(s) to keep its shareholders and investors informed of any result as and when appropriate. As a result, no contingent liability is expected up to the issue of the Interim Financial Statements.

Kim Sungho’s legal proceeding

Reference is made to the Company’s announcements dated on 6 December 2016 and 18 April 2018. The Company has on 5 December 2016 received writ of summons filed on 2 December 2016 by Mr. Kim as the plaintiff against (i) Yang’s Holdings, and (ii) the Company as the defendants under another legal proceeding in the Court.

On 11 April 2018, the action was dismissed by the Court. The plaintiff was ordered to pay costs to the Company.

Joung Jong Hyun's legal proceeding

Reference is made to the Company's announcements dated on 6 December 2016 and 18 April 2018, the Company has on 5 December 2016 received a writ of summons filed on 3 December 2016 by Mr. Joung as the plaintiff against the Directors, the Company; and Yang's Holdings as the defendants under a legal proceeding in the Court.

On 11 April 2018, the action was dismissed by the Court. The plaintiff was ordered to pay costs to the Company.

Lee Moonkyu's legal proceeding

Reference is made to the Company's announcements dated on 12 December 2016 and 18 April 2018. The Company has on 8 December 2016 received a writ of summons dated 5 December 2016 filed by Mr. Lee Moonkyu as the plaintiff against the Directors, the Company and Mr. Yang Sit Hang as the defendants under a legal proceeding in the Court.

On 11 April 2018, the action was dismissed by the Court. The plaintiff was ordered to pay costs to the Company.

Lim Hang Young's legal proceeding

Reference is made to the Company's announcements dated on 13 December 2016 and 18 April 2018. The Company has on 12 December 2016 received a writ of summons dated 6 December 2016 filed by Mr. Lim as the plaintiff against the Directors, the Company, Mr. Yang Wan Ho and Mr. Ge Qingfu (a substantial shareholder of the Company) as the defendants under a legal proceeding in the Court.

On 11 April 2018, the action was dismissed by the Court. The plaintiff was ordered to pay costs to the Company.

Inspection of Documents

By originating summons dated 16 January 2018 under action number HCMP 64/2018, (i) Ninotre Investment Limited; and (ii) Xiao Qingmin as the plaintiffs apply for the Company to provide documents relating to Company's acquisition of 47.63% shares in Red 5 Studios. Hearing will be held on 14th November 2018. The Company will make further announcement(s) to keep its shareholders and investors informed of any result as and when appropriate. No contingent liability is expected up to the issue of the Interim Financial Statements.

16. EVENTS AFTER THE REPORTING PERIOD

On 12 October 2018, L & A Solutions Limited (the "Lender"), an indirect wholly-owned subsidiary of the Company and a licensed money lender in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) entered into the loan agreement with an independent third party (the "Borrower I"), pursuant to which the Lender agreed to grant the Borrower I a loan of HK\$10 million and secured by a first fixed charge over the entire issued shares of a property holding company incorporated in Hong Kong with limited liability, bearing an interest rate of 6% per annum for a year till 11 October 2019. Details of the loan are set out in the Company's announcement dated 12 October 2018.

On 12 November 2018, the Lender entered into the loan agreement with three individuals and a limited liability company beneficially owned by two of them (the "Borrowers II"), pursuant to which the Lender agreed to grant the Borrowers II a loan of HK\$10.5 million and secured by a property and a carpark space in Kowloon, bearing an interest rate of 12% per annum for a year till 11 November 2019. Details of the loan are set out in the Company's announcement dated 12 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally derives its revenue from four 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”), (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”); (iii) money lending business segment, which provides financing to customers for interest income (“Money Lending business”) and (iv) wholesaling business segment, which covers mainly the baby products and seafood (“Wholesaling business”).

OEM Business

The garment sector of the consumer market in the United States has been suffering, which lead to a significant decrease in the order and the revenue to the Group. We had stepped up the efforts in securing new customers and orders, controlling our expenses and looking for ways to improve the business, we changed its operation model by placing orders with other OEM manufacturers, while maintaining the procurement and quality control teams. It would substantially reduce the costs of operation and improve the profit margins of the OEM business.

Retail Business

The decline in revenue is mainly attributable to the low level of consumer sentiment and the decreasing demand for pure cashmere apparel due to the warm weather in Hong Kong. In addition, the economic slowdown in PRC eroded consumer confidence which worsened by the depreciation of Renminbi; the shifting of pattern to online shopping further negatively impacted the Retail business.

Under such an unfavourable ambience, the Group has adopted a prudent approach in restructuring its sales network aiming at minimising the operating costs amid catering for the consumers’ preference of shopping online.

Money Lending Business

Since the Group obtained the money lender licence and commenced Money Lending business from June 2016, the Group's Money Lending business is expanding quickly and there is high demand for loans. During the six months ended 30 September 2018, the Money Lending business had generated interest income of approximately HK\$1.1 million.

Wholesaling Business

The Group has commenced its Wholesaling business during the six months ended 30 September 2018 and generated revenue of approximately HK\$8.4 million. The products included baby products and seafood.

PROSPECTS

For the OEM business, the management of the Company is committed to strengthen the customer base. The Group will continue to find new orders and customers. Also, with the implementation of the new operation model, the management expects there will be a better control of costing and enhance the profit margin. For the retail business, the management will closely monitor the consumers' behaviour and will continue the promotion campaigns. The management is also monitoring the movement of the rental of retail outlets and will adjust the business plan for retail business if necessary. Despite the uncertainties, the management still remains positive towards the Retail business in long run. For Money Lending business, the Group will continue to expand in a prudent and balanced risk management approach. Looking forward, the Group will continue to strive for the diversifications of the Group's existing business, particularly, the Wholesaling business, and broaden its income stream, in order to deliver long term benefits to the shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$10.9 million for the six months ended 30 September 2017 to approximately HK\$36.9 million for the six months ended 30 September 2018, representing an increase of approximately 238.5%. During the six months ended 30 September 2018, the Group stepped up the effort in securing new OEM customers and orders. The revenue of OEM business increased by approximately 766.5% to approximately HK\$26.5 million for the six months ended 30 September 2018 as compared to the six months ended 30 September 2017. On the other hand, the revenue from retail business decreased by approximately 73.7% to approximately HK\$0.8 million for the six months ended 30 September 2018 as compared to the six months ended 30 September 2017.

The following table sets forth the breakdowns of the revenue of the Group by segment for each of the six months ended 30 September 2017 and 30 September 2018.

	Six months ended 30 September			
	2018		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
OEM business	26,549	71.9	3,064	28.1
Retail business	793	2.1	3,011	27.6
Money Lending business	1,143	3.1	4,827	44.3
Wholesaling business	8,439	22.9	–	–
	<u>36,924</u>	<u>100.0</u>	<u>10,902</u>	<u>100.0</u>

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 increased by 406.8% to approximately HK\$32.4 million for the six months ended 30 September 2018 as compared to the six months ended 30 September 2017. The gross profit margin decreased from approximately 41.3% for the six months ended 30 September 2017 to approximately 12.1% for the six months ended 30 September 2018. The gross profit decreased by approximately 0.4% to approximately HK\$4.5 million for the six months ended 30 September 2018 as compared to the six months ended 30 September 2017.

Expenses

Selling and administrative expenses for the six months ended 30 September 2018 was approximately HK\$15.3 million (2017: HK\$13.4 million), representing an increase of approximately HK\$1.9 million. The increase was consistent with the rise in revenue for the six months ended 30 September 2018 as compared to the last corresponding period.

Loss for the period

The loss for the six months ended 30 September 2018 was approximately HK\$4.6 million. The loss for the six months ended 30 September 2017 was approximately HK\$256.2 million.

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

As at 30 September 2018, none of the Directors and chief executives 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 to Rule 5.67 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 2018, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or 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:

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity/nature of interests	Number of shares	Percentage of the Company's issued share capital as at 30 September 2018
Lau Lan Ying (<i>Note</i>)	Interest in a controlled corporation	322,314,800	25.18%
Wong Kwan Mo (<i>Note</i>)	Interest in a controlled corporation	322,314,800	25.18%
Strong Light Investments Limited (<i>Note</i>)	Beneficial owner	299,694,000	23.41%
Ge Qingfu	Beneficial owner	128,226,200	10.02%
Flying mortgage Limited	Beneficial owner	71,480,000	5.58%

Note:

299,694,000 shares are owned by Strong Light Investments Limited, Strong Light Investments Limited is a company incorporated in Hong Kong. The entire issued share capital of Strong Light Investments Limited is owned as to 50% by Lau Lan Ying and 50% by Wong Kwan Mo. Lau Lan Ying is the spouse of Wong Kwan Mo.

Save as disclosed above, as at 30 September 2018, the Company has not been notified by any person (other than the Directors or the chief executives as disclosed in the paragraph headed “Directors’ and chief executives’ interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations” above) who had, or was deemed to have, interests or short positions in the shares, underlying shares or debentures 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.

CORPORATE GOVERNANCE PRACTICES

The Group’s corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the “Code”) as set out in Appendix 15 to the GEM Listing Rules.

During the six months ended 30 September 2018 and up to the date of this announcement, save for the deviation from code provision A.2.1 of the Code which explained below, the Company has applied the principles and complied with all the applicable code provisions of the Code contained in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the Code, the roles of the chairman (“Chairman”) and the chief executive officer (“CEO”) of the Company should be separate and should not be performed by the same individual. Mr. Ng Ka Ho had appointed as the Chairman on 22 April 2016 who provides leadership to the Board. Mr. Yang Si Hang was the CEO and he resigned on 3 March 2017. The Company has not appointed CEO since then, and the roles and functions of the CEO have been performed by the Chairman. The Board believes that vesting the roles of both Chairman and CEO in the same individual can provide the Company with strong and consistent leadership and allows for effective planning and implementation of business decisions and strategies.

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.

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 2018 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 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The Directors confirm that none of the Directors and their respective close associates (as defined in the GEM Listing Rules) had an interest in any business which competed or was likely to compete, either directly or indirectly with the Group's business during the six months ended 30 September 2018.

AUDIT COMMITTEE

The Company has established the audit committee (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 Group and oversee internal control procedures and risk management of the Group.

The Audit Committee consists of 3 independent non-executive Directors, namely Mr. Li Kin Ping, Mr. Ma Chi Ming and Ms. Guo Yan Xia. Mr. Li Kin Ping is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the Interim Financial Statements 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.

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 2018 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, 13 November 2018

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

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