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 THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 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 that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 (the "Board") of Directors 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 nine months ended 31 December 2018 (the "Third Quarterly 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

For the three months and nine months ended 31 December 2018

		Three months ended 31 December		Nine months ended 31 December	
		2018	2017	**2018**	2017
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*5*	**16,191**	24,189	**53,115**	35,091
Cost of sales		**(13,167)**	(17,551)	**(45,608)**	(23,952)
Gross profit		**3,024**	6,638	**7,507**	11,139
Other income		**28**	482	**567**	554
Fair value change on financial assets at fair value through profit or loss, net		**1,502**	(4,087)	**2,818**	(332)
Other losses, net	*6*	**–**	–	**(4,276)**	(268,878)
Selling and distribution expenses		**(2,263)**	(38)	**(3,983)**	(1,580)
Administrative expenses		**(5,525)**	(2,926)	**(19,085)**	(14,745)
Gain on disposal of subsidiaries		**–**	–	**8,247**	29,536
Share of result of an associate		**–**	–	**–**	(10,803)
Finance costs	*7*	**–**	(103)	**–**	(694)
Loss before taxation		**(3,234)**	(34)	**(8,205)**	(255,803)
Income tax credit (expense)	*8*	**1**	69	**381**	(395)
(Loss) profit for the period	*9*	**(3,233)**	35	**(7,824)**	(256,198)

	NOTE	Three months ended 31 December 2018 HK$'000 (unaudited)	Three months ended 31 December 2017 HK$'000 (unaudited)	Nine months ended 31 December 2018 HK$'000 (unaudited)	Nine months ended 31 December 2017 HK$'000 (unaudited)
Other comprehensive (expense) income for the period:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		**–**	(40)	**(209)**	796
Release of translation reserve upon disposal of subsidiaries		**–**	–	**1,149**	–
Total comprehensive expense for the period		**(3,233)**	(5)	**(6,884)**	(255,402)
(Loss) profit for the period attributable to:					
Owners of the Company		**(3,492)**	274	**(7,247)**	(255,305)
Non-controlling interests		**259**	(239)	**(577)**	(893)
		(3,233)	35	**(7,824)**	(256,198)
Total comprehensive (expenses) income for the period attributable to:					
Owners of the Company		**(3,492)**	252	**(7,610)**	(254,466)
Non-controlling interests		**259**	(257)	**726**	(936)
		(3,233)	(5)	**(6,884)**	(255,402)
(Loss) earnings per share	*11*				
Basic and diluted *(HK cents)*		**(0.27)**	0.02	**(0.57)**	(19.95)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Share options reserve *HK$'000*	Translation reserve *HK$'000*	Special reserve *HK$'000* *(Note (i))*	Other reserve *HK$'000* *(Note (ii))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2017 (audited)	51,200	618,133	4,224	1,535	28,431	4,327	(300,491)	407,359	1,350	408,709
Loss for the period	–	–	–	–	–	–	(255,305)	(255,305)	(893)	(256,198)
Exchange differences on the translation of foreign operations	–	–	–	839	–	–	–	839	(43)	796
Total comprehensive income (expense) for the period	–	–	–	839	–	–	(255,305)	(254,466)	(936)	(255,402)
Disposal of a subsidiary	–	–	–	(4,117)	–	–	–	(4,117)	–	(4,117)
At 31 December 2017 (unaudited)	51,200	618,133	4,224	(1,743)	28,431	4,327	(555,796)	148,776	414	149,190

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Special reserve *HK$'000* *(Note (i))*	Other reserve *HK$'000* *(Note (ii))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 31 March 2018 (audited)	51,200	618,133	–	1,169	28,431	4,327	(565,438)	137,822	(630)	137,192
Transition adjustments on the initial application of HKFRS 9 *(Note 4)*	–	–	5,688	–	–	–	–	5,688	–	5,688
Adjusted as at 1 April 2018	51,200	618,133	5,688	1,169	28,431	4,327	(565,438)	143,510	(630)	142,880
Loss for the period	–	–	–	–	–	–	(7,247)	(7,247)	(577)	(7,824)
Exchange differences on the translation of foreign operations	–	–	–	(303)	–	–	–	(303)	94	(209)
Release of translation reserve upon disposal of subsidiaries	–	–	–	(60)	–	–	–	(60)	1,209	1,149
Total comprehensive (expense) income for the period	–	–	–	(363)	–	–	(7,247)	(7,610)	726	(6,884)
At 31 December 2018 (unaudited)	51,200	618,133	5,688	806	28,431	4,327	(572,685)	135,900	96	135,996

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.

NOTES TO THE THIRD QUARTERLY FINANCIAL STATEMENTS

For the three months and nine months ended 31 December 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 since 10 October 2014. The addresses of the registered office and the principal place of business of the Company are P.O. Box 309, Ugland 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 Third Quarterly Financial Statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 the GEM Listing Rules.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the Third Quarterly 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 HKFRSs which are effective for the financial year beginning 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 Third Quarterly 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 Third Quarterly Financial Statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Third Quarterly 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 by the Group 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 standards and the new accounting policies 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 follows:

	At 31 March 2018 as originally presented	HKFRS 9	At 1 April 2018 Restated
	HK$'000	*HK$'000*	*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	–	5,688	5,688

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 Hong Kong Accounting Standard 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 in 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 disposal of this investment. There's no impact to other comprehensive expense for the nine months ended 31 December 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, but 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 and 31 December 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 31 December 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 Third Quarterly 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

Revenue comprises the following business activities of the Group:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
OEM business	**8,012**	21,100	**34,561**	24,164
Retail business	**190**	855	**983**	3,866
Money lending business	**507**	2,234	**1,650**	7,061
Wholesaling business	**7,482**	–	**15,921**	–
	16,191	24,189	**53,115**	35,091

6. OTHER LOSSES, NET

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) gain on disposal of financial assets at fair value through profit or loss, net	**–**	–	**(4,276)**	3,817
Gain on disposal of property plant and equipment	**–**	–	**–**	448
Impairment loss at investment in an associate	**–**	–	**–**	(273,143)
	–	–	**(4,276)**	(268,878)

7. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on:				
Other borrowings	**–**	96	**–**	563
Amounts due to Directors	**–**	–	**–**	112
Amount due to a shareholder	**–**	7	**–**	19
	–	103	**–**	694

8. INCOME TAX (CREDIT) EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Hong Kong Profits Tax *(Note (i))*				
– current period	**–**	93	**56**	881
People's Republic of China ("PRC")				
Enterprise Income Tax ("EIT") *(Note (ii))*				
– current period	**–**	–	**–**	–
	–	93	**56**	881
Deferred tax	**(1)**	(162)	**(437)**	(486)
	(1)	(69)	**(381)**	395

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 nine months ended 31 December 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the nine months ended 31 December 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.

9. (LOSS) PROFIT FOR THE PERIOD

	Three months ended 31 December		**Nine months ended 31 December**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) profit for the period has been arrived at after charging:				
Directors' remuneration:				
– Fees	**321**	246	**933**	892
– Retirement benefit scheme contributions	**7**	5	**21**	14
	328	251	**954**	906
Other staff salaries and allowances	**1,948**	859	**4,567**	3,752
Retirement benefit scheme contributions, excluding those of Directors	**72**	33	**140**	110
Total employee benefits expenses	**2,348**	1,143	**5,661**	4,768
Cost of inventories recognised as an expense	**13,153**	15,999	**45,425**	18,392
Depreciation of an investment property	**–**	–	**278**	32
Depreciation of property, plant and equipment	**144**	178	**267**	805
Amortisation of intangible assets	**11**	649	**1,760**	1,946

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2018 (2017: Nil).

11. (LOSS) EARNINGS PER SHARE

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

	For the three months ended 31 December		**For the nine months ended 31 December**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss) earnings				
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share, being (loss) profit for the period attributable to the owners of the Company	**(3,492)**	274	**(7,247)**	(255,305)
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**1,280,000,000**	1,280,000,000	**1,280,000,000**	1,280,000,000

The weighted average number of ordinary shares for the three months and nine months ended 31 December 2017 for the purpose of basic and diluted earnings (loss) per share has been adjusted for the share consolidation on 9 October 2017.

Diluted loss per share for the three months and nine months ended 31 December 2018 and 2017 were the same as the basic loss per share as the Company had no diluted potential ordinary shares outstanding during the periods.

12. 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 Shares 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 Third Quarterly 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 trial hearing has taken place on the 12-14, 17-19 and 21 July 2017. After the hearing, the court made no order against the Company. As a result, no contingent liability is expected up to the issue of the Third Quarterly 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. At the hearing on 14 November 2018, the court ordered the Company to provide documents to the Plaintiffs for inspection. The court also ordered the Company to pay the costs of this proceeding to the plaintiffs which is agreed in the sum of HK$330,000. The Company has complied with these orders.

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 led to a significant decrease in the order and the revenue to the Group in last year. We had stepped up the efforts in securing new customers and orders, controlling our expenses and looking for ways to improve the business during the nine months ended 31 December 2018. 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.

Retail Business

The decline in revenue is mainly attributable to the prolongation of the sluggish economy, 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

The Group obtained the money lender licence and commenced Money Lending business from June 2016. During the nine months ended 31 December 2018, the Money Lending business had generated interest income of approximately HK$1.7 million, representing a decrease of approximately 76.6% as compared to the nine months ended 31 December 2017.

Wholesaling Business

The Group has commenced its Wholesaling business during the nine months ended 31 December 2018 and generated revenue of approximately HK$15.9 million. The products included baby products and seafood.

PROSPECTS

For the OEM business, the management of the Group (the "Management") 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.

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 expansion plan for Retail business if necessary.

For Money Lending business, the Group will continue to expand it in a prudent and balanced risk management approach.

Looking forwards, the Group will continue to strive for the diversifications of the Group's existing business, e.g, 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$35.1 million for the nine months ended 31 December 2017 to approximately HK$53.1 million for the nine months ended 31 December 2018, representing an increase of approximately 51.3%. During the nine months ended 31 December 2018, the Group stepped up the effort in securing new OEM customers and orders. The revenue of OEM business increased by approximately 43.0% to approximately HK$34.6 million for the nine months ended 31 December 2018 as compared to the nine months ended 31 December 2017. On the other hand, the revenue from Retail business decreased by approximately 74.6% to approximately HK$1.0 million for the nine months ended 31 December 2018 as compared to the nine months ended 31 December 2017. The new wholesaling business contributed revenue of approximately HK$15.9 million during the nine months ended 31 December 2018.

The following table sets forth the breakdown of the revenue of the Group by segment for each of the nine months ended 31 December 2018 and 2017.

	Nine months ended 31 December			
	2018		2017	
	HK$'000	***%***	*HK$'000*	*%*
OEM business	**34,561**	**65.1**	24,164	68.9
Retail business	**983**	**1.9**	3,866	11.0
Money Lending business	**1,650**	**3.1**	7,061	20.1
Wholesaling business	**15,921**	**29.9**	–	–
	53,115	**100.0**	35,091	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 increased by 90.4% to approximately HK$45.6 million for the nine months ended 31 December 2018 as compared to the nine months ended 31 December 2017. The gross profit margin decreased from approximately 31.7% for the nine months ended 31 December 2017 to approximately 14.1% for the nine months ended 31 December 2018. The gross profit decreased by approximately 32.6% to approximately HK$7.5 million for the nine months ended 31 December 2018 as compared to the nine months ended 31 December 2017. Attributable to the lower gross profit margin for the new Wholesaling business, excluding the Money Lending business, the overall gross profit margin for the Group's remaining businesses decreased slightly from 14.6% for the nine months ended 31 December 2017 to 11.4% for the current period.

Expenses

Selling and administrative expenses for the nine months ended 31 December 2018 was approximately HK$23.1 million (nine months ended 31 December 2017: approximately HK$16.3 million), representing an increase of approximately HK$6.8 million.

Loss for the period

The loss for the nine months ended 31 December 2018 was approximately HK$7.8 million. The loss for the nine months ended 31 December 2017 was approximately HK$256.2 million. The loss for the nine months ended 31 December 2018 was substantially decreased as the impairment loss of an investment in an associate of approximately HK$273.1 million was one-off and recognised only during the nine months ended 31 December 2017.

OTHER INFORMATION

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the nine months ended 31 December 2018, the Group disposed of one property holding subsidiary (which constituted a notifiable transaction) and several insignificant subsidiaries and a gain of approximately HK$8.2 million was generated. Save as these disposals and as disclosed elsewhere in this announcement, the Company's announcement dated 23 March 2018 and the Company's circular dated 11 July 2018, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the nine months ended 31 December 2018.

Save as disclosed elsewhere in this announcement, there was no plan for material investments or capital assets as at 31 December 2018.

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

As at 31 December 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 Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 31 December 2018, the following persons (other than the Directors or chief executives 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:

Long positions in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interests	Number of ordinary shares	Percentage of the Company's issue share capital as at 31 December 2018
Lau Lan Ying *(Note)*	Interest in a controlled corporation	322,314,800	25.18%
Wong Kwan Mo *(Note)*	Interest in a controlled corporation	322,314,800	25.18%
Strong Light Investments Limited *(Note)*	Beneficial owner	299,694,000	23.41%
Flying Mortgage Limited	Beneficial owner	133,040,000	10.39%
Ge Qingfu	Beneficial owner	128,266,200	10.02%

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 31 December 2018, the Company had 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.

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

The Group adopted the required standards of dealings set out in Rule 5.48 to Rule 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 nine months ended 31 December 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 nine months ended 31 December 2018.

UPDATE ON THE USE OF PROCEEDS FROM THE PLACING OF SHARES COMPLETED ON 11 AUGUST 2016

References are made to the 2018 Annual Report, the announcements of the Company dated 21 July 2016, 4 August 2016, 11 August 2016 and 29 January 2018 respectively in relation to, among others, the placing of shares under general mandate together with the intended and actual use of proceeds. During the nine months ended 31 December 2018, the remaining proceeds of approximately HK$4 million was used as general working capital of the Group and the proceeds were fully utilised as its intended use at the end of the reporting period.

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 during the nine months ended 31 December 2018 or as at 31 December 2018.

INTERESTS OF COMPLIANCE ADVISER

Pursuant to the directions of the GEM Listing Committee of the Stock Exchange, the Company has appointed Grand Moore Capital Limited as the independent compliance adviser (the "Compliance Adviser") on an on-going basis for consultation on compliance with the GEM Listing Rules for a period of two years with effect from 7 January 2019. As at 31 December 2018, as notified by the Compliance Adviser, except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 Company and oversee internal control procedures of the Company 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 Third Quarterly 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.

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

Hong Kong, 14 February 2019

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.