Earthasia International Holdings Limited
泛亞環境國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 6128

2016 Annual Report

LANDSCAPE ARCHITECTURE 景觀設計 | MASTER PLANNING 總體規劃 | URBAN DESIGN 城市設計

Contents

Financial Highlights

FINANCIAL HIGHLIGHTS

Results		For the year ended 31 December		
		2016	2015	Change
Revenue	*HK$'000*	**183,774**	237,703	-22.7%
Gross profit	*HK$'000*	**89,764**	127,067	-29.4%
(Loss)/profit attributable to owners of the parent	*HK$'000*	**(9,365)**	23,527	-139.8%
Basic (loss)/earnings per share attributable to ordinary equity holders of the parent	*HK cents*	**(2.3)**	6.1	-137.7%

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Hing Tat Patrick
Mr. Chan Yick Yan Andross
Mr. Tian Ming

Non-executive Directors

Mr. Michael John Erickson
Mr. Ma Lida
Ms. Huang Yaping

Independent non-executive Directors

Ms. Tam Ip Fong Sin
Mr. Wong Wang Tai
Mr. Wang Yuncai

COMPANY SECRETARY

Ms. Chan Chi Hing

REGISTERED OFFICE

Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HEADQUARTER, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F, COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

AUDIT COMMITTEE

Mr. Wong Wang Tai *(Chairman)*
Ms. Tam Ip Fong Sin
Mr. Wang Yuncai
Mr. Ma Lida

REMUNERATION COMMITTEE

Mr. Wong Wang Tai *(Chairman)*
Mr. Wang Yuncai
Ms. Tam Ip Fong Sin
Mr. Chan Yick Yan Andross

NOMINATION COMMITTEE

Mr. Lau Hing Tat Patrick *(Chairman)*
Mr. Wang Yuncai
Ms. Tam Ip Fong Sin

CORPORATE WEBSITE ADDRESS

www.ea-dg.com

AUTHORISED REPRESENTATIVES

Ms. Chan Chi Hing
Mr. Chan Yick Yan Andross

ALTERNATES TO AUTHORISED REPRESENTATIVES

Mr. Tian Ming
Mr. Lau Hing Tat Patrick

PRINCIPAL BANKERS

The Bank of East Asia (China) Ltd.
Industrial Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Ltd.
Bank of China (Hong Kong) Ltd.
Standard Chartered Bank (Hong Kong) Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street, PO Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Hastings & Co.
5th Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22th Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong




Chairman's Statement

Chairman's Statement

Lau Hing Tat Patrick
Chairman

Dear Shareholders:

On behalf of the Board of Earthasia International Holdings Limited and its subsidiaries, it is my pleasure to present the annual report of the Group.

In its over 30-year history, the Group has experienced significant growth of practice and expansion leading to currently more than ten offices across PRC and Hong Kong with over 300 staff. The Group has been committed to the pursuit of excellence in landscape architecture design and the improvement of living quality, with an aim to raise the profile of the global profession of landscape architecture.

2016 was a challenging year due to difficult market environment and the Group faced intense competition. Revenue decreased to approximately HK$183.8 million for the year ended 31 December 2016, representing a decrease of approximately 22.7%, as compared with that of approximately HK$237.7 million for the year ended 31 December 2015. Gross profit decreased to approximately HK$89.8 million for the year ended 31 December 2016, representing a decrease of approximately 29.4%, as compared with that of approximately HK$127.1 million for the year ended 31 December 2015. Loss attributable to owners of the parent was approximately HK$9.4 million for the year ended 31 December 2016, as compared with profit attributable to owners of the parent of approximately HK$23.5 million for the year ended 31 December 2015, mainly due to the decrease in new contracts causing decrease in revenue, slowdown of billing and payment received from clients, increase in administrative and other expense, and devaluation of RMB in 2016.

It is expected that 2017 continues to be challenging as the landscape architecture industry is getting more and more competitive, despite some signs of recovery in early 2017. The clients remains cost conscious in the project fee and take a prudent pace on the residential development projects which is mainly due to the tightening policy by the PRC Government. In response to the challenging market environment, the Group has reinforced its marketing efforts, enhanced client relationship, and put great emphasis on our design quality in servicing our clients.

Chairman's Statement

We will continue to explore new business and investment opportunities that may generate additional income to the Group through joint venture and/or strategic cooperation with business partners. In September 2015, the Group has formed a joint venture company in the trading business in order to carry out trading business of Japanese goods which includes foods, cosmetics, groceries, daily necessities etc. across Japan, Hong Kong and the PRC, which has been on the right track and recognized approximately HK$58.7 million of revenue for the year ended 31 December 2016. Although the joint venture company was making loss due to relatively high initial costs, interest expense and promotional costs, we are confident that the joint venture can contribute positive income to the Group in 2017.

In March 2017, the Group has also entered into two acquisition agreements in relation to the acquisition of catering business. The consumer sector of the PRC is growing rapidly. As disposable income rises, PRC people will spend more on leisure and dining out. We believe the acquisitions represent a prime opportunity for the Group to step into the consumer sector which can bring steady income and cash flows to the Group as well as greater return to our shareholders.

On behalf of the Board, I would like to thank the management team and staff for their dedication and contribution towards the Group's success. Also, I would like to thank all the shareholders, investors and clients' continuous supports. Our management team and all staff members will persist in striving for better results for the Group and bringing munificent returns to our shareholders.

Lau Hing Tat Patrick
Chairman

Hong Kong, 30 March 2017


天津機場經濟區
Tianjin Airport Economic Zone

Management Discussion and Analysis

Management Discussion and Analysis

Chan Yick Yan Andross
Chief Executive Officer

BUSINESS REVIEW

The Group's business model and revenue and cost structure has remained unchanged during the reporting period and up to the date of issue of this annual report.

The Group maintained its market position as one of the leading landscape architecture service provider predominantly in the PRC and Hong Kong. It offered a wide range of landscape architecture services to clients including governments, public bodies, private property developers, state-owned property developers, town planning companies, architecture companies and engineering companies in the PRC and Hong Kong. The Group continued to undertake the four major types of landscape architecture projects which can be categorised into (i) residential development projects; (ii) infrastructure and public open space projects; (iii) commercial and mixed-use development projects; and (iv) tourism and hotel projects.

In 2016, residential development projects continued to be the largest segment in terms of revenue, which accounted for approximately 42.8% (2015: 48.9%) of the total revenue of the Group. Infrastructure and public open space projects continued to be the second largest segment in terms of revenue, which accounted for approximately 32.8% (2015: 22.6%) of the total revenue of the Group.

For the year ended 31 December 2016, the Group entered into 117 new contracts with a total contract sum of approximately HK$116.3 million for projects located in the PRC and 30 new contracts with a total contract sum of approximately HK$14.7 million for projects located in Hong Kong and others. Geographically, approximately 88.8% of the new contract sum represented projects located in the PRC and approximately 11.2% represented projects located in Hong Kong in terms of contract sum.

Management Discussion and Analysis

Tian Ming
Executive Director

The number of new contracts and contract sum entered by the Group during 2014 to 2016 are set out as follows:

Year ended 31 December	No. of new contracts	Contract sum (HK$'million)
2016	147	131.0
2015	195	219.8
2014	281	315.2

Despite a challenging year in 2016, the management of the Company made great efforts to increase the source of revenue and profits to the shareholders through exploration of new cooperation and business development opportunities.

FINANCIAL REVIEW

Revenue

Revenue decreased to approximately HK$183.8 million for the year ended 31 December 2016, representing a decrease of approximately 22.7%, as compared with that of approximately HK$237.7 million for the year ended 31 December 2015. The decrease was mainly attributable to (i) the slowdown of residential property development projects from property developers clients, and (ii) decrease in number of new contracts and new contract sum compared with the same period in 2015.

Management Discussion and Analysis

Cost of services

Cost of services decreased to approximately HK$94.0 million for the year ended 31 December 2016, representing a decrease of approximately of 15.0%, as compared with that of approximately HK$110.6 million for the year ended 31 December 2015. The decrease was generally in line with the decrease in revenue.

Gross profit and gross profit margin

As a result, gross profit decreased to approximately HK$89.8 million for the year ended 31 December 2016, representing a decrease of approximately 29.4%, as compared with that of approximately HK$127.1 million for the year ended 31 December 2015.

Gross profit margin decreased by approximately 4.7 percentage points to approximately 48.8% for the year ended 31 December 2016, as compared with that of approximately 53.5% for the year ended 31 December 2015.

Administrative expenses

Administrative expenses increased to approximately HK$85.2 million for the year ended 31 December 2016, representing an increase of approximately of 3.6%, as compared with that of approximately HK$82.2 million for the year ended 31 December in 2015. The overall increase was mainly attributable to the incidental increase in share-based payment expense in 2016.

Net profit

As a result of the foregoing, loss attributable to owners of the parent was approximately HK$9.4 million for the year ended 31 December 2016, as compared with profit attributable to owners of the parent of approximately HK$23.5 million for the year ended 31 December 2015.

Liquidity and Financial Resources

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Current assets	**201,205**	296,300
Current liabilities	**59,271**	112,119
Current ratio	**3.4x**	2.6x

The current ratio of the Group at 31 December 2016 was approximately 3.4 times as compared to that of approximately 2.6 times at 31 December 2015. The increase was mainly due to reduction of other payables and repayment of bank borrowing amounted to HK$30 million which decreased both the current assets and current liabilities.

At 31 December 2016, the Group had a total cash and bank balances of approximately HK$70.1 million (31 December 2015: HK$94.8 million).

Management Discussion and Analysis

At 31 December 2016, the Group's gearing ratio was approximately zero (represented by total interest-bearing bank and other borrowings at the end of the period divided by total equity at the end of the respective period multiplied by 100%) (31 December 2015: 14.8%).

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2016.

Pledge of assets

The Group had no significant pledge of assets as at 31 December 2016.

Capital structure

There has been no significant change in the capital structure of the Company for the reporting period. The capital structure of the Company comprises only ordinary shares and bank borrowing (if relevant).

Foreign exchange exposure

The Group mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HKD and RMB respectively. No significant foreign currency risk has been identified for the financial assets in the PRC as they were basically denominated in a currency same as the functional currencies of the group entities to which these transactions relate. Nevertheless, the Directors will closely monitor the Group's foreign currency position and consider natural hedge technique to manage its foreign currency exposures by non-financial methods, managing the transaction currency, leading and lagging payments, receivable management, etc. Except for meeting working capital needs, the Group only holds minimum foreign currency.

Human resources and employees' remuneration

As at 31 December 2016, the Group employed around 323 employees (31 December 2015: 428 employees). Employees are remunerated according to nature of the job, market trend, and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

The Group offers competitive remuneration and benefit package to employees. Employee benefits include mandatory provident fund, employee pension schemes in the PRC, contributions to social security system, medical coverage, insurance, training and development programs.

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. During the year ended 31 December 2016, there was 14,290,000 share options granted (2015: nil) under the Share Option Scheme.

On 21 August 2014, the Company has also adopted a share award scheme (the "Share Award Scheme"). The principal objectives of the Share Award Scheme are (i) to recognise the contributions by employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme were set out in the announcements of the Company dated 21 August 2014, 5 January 2015 and 7 September 2015.

Management Discussion and Analysis

ADVANCES TO AN ENTITY

As disclosed in the announcements of our Company dated 20 September 2016 and 24 January 2017 (the "Announcements"), the Company as the Lender entered into a loan agreement (the "Loan Agreement") on 24 November 2015 with the borrower pursuant to which the Lender agreed to provide a revolving loan facility (the "Revolving Loan Facility") in the amount of HK$14,000,000 at an interest rate of 30% per annum during the availability period of 14 months from 24 November 2015 to 23 January 2017. On 24 January 2017, the Company entered into the renewed loan agreement (the "Renewal Agreement") with the Borrower pursuant to which the Lender agreed to renew the Revolving Loan Facility in the amount of HK$14,000,000 at a reduced interest rate of 15% per annum for a further 18 months from 24 January 2017 to 23 July 2018. Subject to the terms and conditions, the Renewed Revolving Loan Facility can be drawn down at any time for one year during the availability period. Set out below are the principal terms of each of the loan agreements:

	Loan Agreement	**Renewal Agreement**
Date of agreement:	24 November 2015	24 January 2017
Borrower:	Earthasia Worldwide Holdings Limited	Earthasia Worldwide Holdings Limited
Revolving facility amount:	Up to HK$14,000,000	Up to HK$14,000,000
Interest rate per annum:	30%	15%
Availability period:	24 November 2015 to 23 January 2017	24 January 2017 to 23 July 2018
Repayment term:	One year	One year
Repayment:	Borrower shall repay the interests with the principal amount at loan maturity	Borrower shall repay the interests with the principal amount at loan maturity
Early repayment:	The Borrower may prepay all or any part of a drawdown prior to the maturity date without penalty. Any prepayment of a drawdown will refresh the available amount of the Revolving Loan Facility for drawing. Any early repayment shall first settle all interests accrued.	The Borrower may prepay all or any part of a drawdown prior to the maturity date without penalty. Any prepayment of a drawdown will refresh the available amount of the Revolving Loan Facility for drawing. Any early repayment shall first settle all interests accrued.
Collateral:	Nil	Nil
Other terms and conditions:	The Lender shall have absolute discretion as to whether to make available any sum for any drawdown under the Loan Agreement.	The Lender shall have absolute discretion as to whether to make available any sum for any drawdown under the Renewed Agreement.

The advance was made on the basis of our Company's credit assessments on the Borrower's financial strength and repayment ability and the relatively short term nature of the advance. After taking into account factors as disclosed above in assessing the risks of the relevant advance, our Company considers that the risks involved in the advance to the Borrower are acceptable. For further details, please refer to the Announcements. As of 31 December 2016, there was zero loan balance due from the borrower to the Company.

EVENTS AFTER THE REPORTING PERIOD

(a) On 24 January 2017, the Company entered into the renewal agreement with EA Trading, pursuant to which the Group agreed to renew the revolving loan facility in the amount of HK$14,000,000 at a reduced interest rate of 15% per annum for a further 18 months from 24 January 2017 to 23 July 2018.

(b) On 14 March 2017, EASH and Pubang entered into the renewed cooperation agreement, pursuant to which (a) Pubang (or any of its subsidiaries) may (i) subcontract to EASH (or any of its subsidiaries) all or part of its landscape projects that requires landscape architecture services: and (ii) refer to EASH (or any of its subsidiaries) clients which require landscape architecture services; and (b) EASH (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery); and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture. This cooperation agreement covers a period of over 3 years up to the financial year ending 31 December 2019. The annual cap limit, representing the maximum aggregate subcontracting and referral fees by the parties in each of the year ending 31 December 2017, 2018, 2019 shall not exceed RMB5 million (or HK$5,615,000) and RMB3 million (or HK$3,369,000), respectively.

(c) On 17 March 2017, a wholly-owned subsidiary of the Company, Yummy Holdings Limited entered into an agreement to acquire 51% issued share capital of Thai Gallery (HK) Limited from independent third party vendors with a consideration of RMB19,380,000 (equivalent to approximately HK$21,810,000). Pursuant to the acquisition agreement, the aforesaid vendors agree to guarantee to the Company that the audited net profit after tax of Thai Gallery (HK) Limited for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not be less than RMB6,000,000 (equivalent to approximately HK$6,752,000), RMB7,000,000 (equivalent to approximately HK$7,878,000) and RMB8,000,000 (equivalent to approximately HK$9,003,000) respectively. In the event that the net profit after tax for any of the relevant financial years ending 31 December 2020 cannot be met, the vendors shall pay a compensation in cash. The vendors granted an exclusion option to the Company, pursuant to which the Company has the exclusive right to acquire the remaining 49% shareholding interest in Thai Gallery (HK) Limited (or any part thereof) at a consideration to be calculated as agreed. Thai Gallery (HK) Limited is in the course of establishing a subsidiary under the name of Taihuan Catering Management (Shanghai) Company Limited ("Thaihuan"). Thaihuan shall enter into the catering management agreement with Shanghai Mo Nei Restaurant Limited ("Mo Nei"), another wholly-owned company of the vendors, pursuant to which Thaihuan shall provide to Mo Nei operating management service with a fixed management fee of RMB270,000 (equivalent to approximately HK$303,858) on a monthly basis plus performance bonus (if any) at the end of each year.

Management Discussion and Analysis

(d) On 24 March 2017, an indirectly wholly owned subsidiary of the Company entered into an agreement to disposal of all of its 45% equity invest in Teddy to an third party for a cash consideration of RMB17,804,700 (equivalent to approximately HK$20,089,043).

(e) On 29 March 2017, a wholly owned subsidiary of the Company, Shanghai Jingzhu Investment Management Company Limited ("Shanghai Jingzhu") entered into an agreement to acquire 51% equity interest in Suzhou Industrial Park Wenlvge Hotel Management Company Limited ("Wenlvge Hotel") from independent third party vendors with a consideration of RMB17,850,000 (equivalent to approximately HK$20,154,435). Pursuant to the acquisition agreement, the aforesaid vendors jointly and severally agree to guarantee to the Company that the audited net profit after tax of Wenlvge Hotel for each of the three financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than RMB4,500,000 (equivalent to approximately HK$5,080,950). In the event that the net profit after tax for any of the relevant financial years ending 31 December 2020 cannot be met, the vendors shall pay a compensation in cash. Further details are set out in the Company's announcement dated 29 March 2017. The vendors granted an exclusion option to the Company, pursuant to which Shanghai Jingzhu has the exclusive right to acquire the remaining 49% shareholding interest in Wenlvge Hotel (or any part thereof) at a consideration to be calculated as agreed.

PROSPECTS

2016 was a challenging year due to slowdown in the PRC economy, weakened property market, fluctuation of stock market and devaluation of RMB. Traditional industries in the PRC have been facing overcapacity. Not few PRC property developers slowed down the pace of property development projects. The Group has faced prolonged payment cycle from our PRC projects.

Although there is some signs of recovery in early 2017, it is expected that 2017 will still be challenging as the industry is getting more and more competitive. The clients remains cost conscious in the project fee and take a prudent pace on the residential development projects which is mainly due to the tightening policy by the PRC Government. Both the PRC and Hong Kong economy continued to experience lower rates of growth than previous years. In response to the challenging market environment, the Group will continue to enhance its marketing efforts, leverage its brand, client relationship and industry experience to secure new projects. The Group will strengthen its efforts in billing and collecting the long outstanding receivables. Besides, the Directors will pay close attention to the cost structure and resources utilization of the Group. With above measures and joint efforts of our management and staff, we believe the Group will have improvements in 2017.

The Directors will continue to explore new business and investment opportunities that may generate additional income to the Group through joint venture and/or strategic cooperation with business partners.

In March 2017, the Group has entered into two acquisition agreements in relation to the acquisition of catering business. The consumer sector of the PRC is growing rapidly. As disposable income rises, PRC people will spend more on leisure and dining out. The acquisitions offer a chance to tap into the consumer sector, which is believed to be the main driver of the PRC's economy. The Directors believe that the acquisitions can broaden the revenue streams and bring greater return to the shareholders.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Hing Tat Patrick (劉興達), aged 57, is the Chairman of the Board and an executive Director. He has over 33 years of experience in operation and management in landscape architecture service industry. Mr. Lau joined our Group in October 1986 as managing director of Earthasia Limited responsible for formulating corporate and business strategies and making major corporations and operations decisions and became one of the directors and shareholders in February 1987. He has been holding the following positions under our Group, namely, (i) the director of Earthasia Limited since February 1987, (ii) the director of Earthasia (International) Limited since October 2004, (iii) the director and legal representative of Earthasia (Shanghai) Co. Ltd. Since November 2004, (iv) the director of EA Group International Inc. since October 2007, (v) the director of Earthasia Holdings Limited since 27 November 2013, (vi) the director and legal representative of Earthasia (Qianhai) Limited since November 2014, (vii) the director of Earthasia Watersource Limited since November 2014, (viii) the director of Earthasia Lightech Limited since December 2014, (ix) the director of Earthasia Farm Ltd. since April 2015, (x) the director of Shanghai Jingliang Lightech Ltd. since June 2015, and (xi) the director of Shanghai Jingzhu Investment Management Ltd. since June 2015.

Prior to joining our Group, Mr. Lau gained his experience in another two landscape architecture companies, namely, (i) Urbis Travis Morgan Limited from March 1985 to September 1986, and (ii) EBC Hong Kong (怡境師) from August 1983 to February 1985, as a landscape architect responsible for landscape design and project management.

Mr. Lau obtained his bachelor's degree in Landscape Architecture from the University of Toronto in June 1983. He obtained his master's degree in Urban Design from the University of Hong Kong in November 1991. Mr. Lau was qualified as a professional member in the grade of Associate of the Landscape Institute in the United Kingdom in January 1987. He has been a registered landscape architect under LARO since September 1999. He served in HKILA as president from September 1994 to May 1998 and has been a fellow member of HKILA since November 2008. He has taken up the positions of chairman of Asian Habitat Society (亞洲人居環境協會) and director of the Hong Kong Coalition of Professional Service. Mr. Lau is currently a member of the Town Planning Board and Urban Forestry Advisory Panel. He was a district councillor of the Hong Kong Eastern District Council from 2004 to 2011. He was also a member of the following institutions, namely, (i) the Appeal Board Panel (Town Planning) from December 1999 to December 2005, (ii) the Community Involvement Committee on Greening from March 2011 to February 2013, (iii) the Harbour-front Enhancement Committee from May 2004 to August 2009, (iv) the Harbourfront Commission from July 2010 to June 2013, (v) the Lands and Development Advisory Committee from July 2009 to July 2015.

Biographies of Directors and Senior Management

As at the date of this annual report, Mr. Lau held 1,078,000 Shares by himself and 66,003,444 Shares through LSBJ Holdings Limited. Mr. Lau is the beneficial owner of the entire issued capital of LSBJ Holdings Limited. Besides, Mr. Lau's wife, Ms. Keung Wai Fong Tracy, also held 1,138,000 shares of the Company, which is approximately 0.27% of the entire issued share capital. Under the SFO, Mr. Lau, being the spouse of Ms. Keung, is deemed to be interested in all the shares that Ms. Keung is interested in, and vise versa. Accordingly, taking into account of Ms. Keung's interest in the Company, Mr. Lau's interest in the Company is approximately 16.24%.

Mr. Chan Yick Yan Andross (陳奕仁), aged 54, is the Chief Executive Officer and an executive Director. He has over 31 years of experience in operation and management in landscape architecture service industry. He first joined our Group in January 1991 as managing director of Earthasia Limited responsible for formulating corporate and business strategies and making major corporations and operations decisions. Mr. Chan has also held the following positions in our Group, namely, (i) the director of Earthasia Limited since December 1995; (ii) the director of Earthasia (International) Limited since October 2004; (iii) the director of Earthasia (Shanghai) Co. Ltd. since November 2004; (iv) the director of EA Group International Inc. since October 2007; (v) the director and legal representative of Earthasia (Xiamen) Co. Ltd. since March 2013; (vi) the director of Earthasia Design (Shanghai) Co. Ltd. since November 2013; (vii) the director of Earthasia Holdings Limited since November 2013; (viii) the director of Earthasia (Qianhai) Limited since November 2014, (ix) the director of Earthasia Watersource Limited since November 2014, (x) the director of Earthasia Lightech Limited since December 2014, (xi) the director of Earthasia Farm Ltd. since April 2015, (xii) the director of Shanghai Water Science Ltd. since June 2015, (xiii) the director of Shanghai Jingliang Lightech Ltd. since June 2015, (xiv) the director of Earthasia Suzhou Farm Ltd. since June 2015, (xv) Shanghai Jingzhu Investment Management Ltd. since June 2015, (xvii) the director of Ningbo Yuanmei Design and Consulting Ltd. since July 2015, (xvii) the director of Earthasia Worldwide Holdings Ltd. since September 2015, (xviii) the director of Earthasia Farm Investment Ltd. since December 2015. Mr. Chan is also the legal representative of the Beijing, Wuhan, Shenzhen, Xi'an, Chengdu, Kunshan and Guangzhou branch offices of Earthasia (Shanghai) Co. Ltd.

Prior to joining our Group, Mr. Chan has the following working experience relevant to his present positions in our Company:

Name of company	Principal business activities	Roles	Responsibilities	Period of services
BCG Landscape Architects Inc.	Landscape architecture, urban design, environmental planning	Partner and landscape architect	Design and project management	From September 1989 to January 1991
EDA Collaborative Inc.	Landscape architecture, urban design, environmental planning, tourism design	Intermediate landscape architect	Design and project management, detail design and working drawings	From August 1988 to August 1989
EBC Hong Kong (怡境師)	Landscape architecture and planning	Landscape architect	Design development, detailed design, contract administration and supervision	From July 1985 to February 1988

Mr. Chan obtained his bachelor's degree in Landscape Architecture from the University of Toronto in June 1985. He obtained his master's degree in architecture (landscape planning and design) from Tongji University (同濟大學) in June 2014. Mr. Chan was qualified as a professional member in the grade of Associate of the Landscape Institute in the United Kingdom in January 1988. He was a member of the Ontario Association of Landscape Architects and the Canadian Society of Landscape Architects in July 1989 and 1990, respectively. Mr. Chan has been a registered landscape architect under LARO and a fellow member of HKILA since September 1999 and November 2008, respectively. He has been a member of American Society of Landscape Architects since March 2004. He was accredited as the Outstanding Entrepreneur of the National Reconnaissance Design Industry (President) (全國勘察設計行業優秀企業家(院長)) by the China Exploration and Design Association (中國勘察設計協會) in November 2013.

As at the date of this annual report, Mr. Chan held 274,000 Shares by himself and 132,006,887 Shares through CYY Holdings Limited. Mr. Chan is the beneficial owner of the entire issued capital of CYY Holdings Limited. Under the SFO, Mr. Chan's total interest in the Company is 132,280,887 Shares, representing approximately 31.50% of the issued share capital of the Company.

Biographies of Directors and Senior Management

Mr. Tian Ming (田明), aged 61, is an executive Director. He has over 29 years of experience in architecture-related and landscape architecture industry. Mr. Tian joined our Group in June 2006 as the director of Earthasia (Shanghai) Co., Ltd. Prior to joining our Group, Mr. Tian worked as a deputy chief designer at Shanghai Vanke Real Estate Co., Limited (上海萬科房地產有限公司) from April 1993 to June 1998 which is a subsidiary of China Vanke Co., Ltd. (萬科企業股份有限公司) principally engaging in residential and commercial property development. Mr. Tian was responsible for property estate design (房地產設計) during his time of employment. He worked as a designer from 1983 to 1993 in Shanghai Municipal Engineering Design Institute (上海市政工程設計研究院) which principally engaged in municipal engineering (市政工程). Mr. Tian was responsible for architectural design for municipal projects during his time of employment.

Mr. Tian obtained his bachelor's degree in structural engineering from Tongji University (同濟大學) in December 1985. He was qualified as architect and structural engineer in March 1991 in the PRC by the Shanghai Municipal Engineering Design Institute (上海市政工程設計院).

NON-EXECUTIVE DIRECTORS

Mr. Michael John Erickson, aged 56, is a non-executive Director. He has over 21 years of experience in urban and landscape design, environmental planning, open space planning and feature park design. He has been serving in Earthasia (Shanghai) Co., Ltd. as managing principal of Beijing office since October 2007, assisting in business development, project coordination and preparation of strategic plan.

Prior to joining our Group, Mr. Erickson has gained experience in landscape design and project management through handling landscape architecture projects under various landscape architecture companies including: (i) EDAW (Shanghai) Consulting Co. Ltd. (Beijing Office) as managing principal (Beijing)/regional landscape co-leader from July 2004 to September 2007; (ii) EDAW/AECOM Australia Pty Ltd (Brisbane office) as managing principal from 2001 to 2004 and senior associate from 1995 to 2001.

Mr. Erickson obtained his bachelor's degree in Applied Science (Built Environment, Landscape, Urban and Regional Planning) from the Queensland Institute of Technology (currently known as the Queensland University of Technology) in March 1984 and master's degree in Landscape Planning from the University of New South Wales in May 1992. Mr. Erickson has been an associate member of HKILA since May 2009. He has been a Registered Landscape Architect/Urban Designer of the Australian Institute of Landscape Architects since June 2012.

Mr. Ma Lida (馬力達), aged 36, is a non-executive Director. He has over ten years of experience in financial management. He has been the deputy general manager and board secretary of Pubang since May 2010 responsible for the general secretarial affairs. From July 2003 to February 2008, he worked as a project manager for the provision of auditing services in various projects in GP Certified Public Accountants Co., Ltd. (廣東正中珠江會計師事務所有限公司), a PRC accounting firm.

Mr. Ma obtained his bachelor's degree in Economics from the School of Public Economics & Administration at Shanghai University of Finance and Economics (上海財經大學公共經濟與管理學院) in July 2003. He further obtained his master's degree in Business Administration from Sun Yat-sen University (中山大學) in June 2010.

Ms. Huang Yaping (黃婭萍), aged 39, is a non-executive Director. She has over 16 years of experience in landscape architecture industry. Prior to joining our Group, she worked as designer and chief designer of Pubang from January 2000 to December 2005 and vice administrative officer of the design institute of Pubang from January 2005 to December 2008 participating in various landscape architecture projects. Since then, she has become the vice-president of the design institute of Pubang leading in the provision of landscape architecture services. She obtained her bachelor's degree in Architectural Engineering (建築工程) from Chongqing University (重慶大學) in July 2000. She was recognised by Guangzhou Human Affairs Bureau (廣州市人事局) as architectural assistant engineer (建築助理工程師) in September 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Ip Fong Sin (談葉鳳仙), aged 50, is an independent non-executive Director. She has over 12 years of experience in legal practice specialising corporate and commercial litigation matters. She was admitted as a solicitor of Hong Kong in 2004.

Ms. Tam obtained her bachelor's degree in Law from the University of Wolverhampton in July 1999. She has also completed her postgraduate certificate in Laws from the University of Hong Kong in September 2002.

Mr. Wong Wang Tai (黃宏泰), aged 52, is an independent non-executive Director. He has over 25 years of experience in auditing, finance and accounting field.

Biographies of Directors and Senior Management

Mr. Wong has gained his audit and accounting experience through the following positions in various companies:

Name of company	Principal business activities	Roles	Responsibilities	Period of services
Parker Randall CF (H.K.) CPA Ltd	Accounting and advisory	Director	Responsible for audit cases of private limited companies	From January 2012 to March 2013
C & I CPA Limited	Accounting and advisory	Director	Responsible for overall firm operation in the provision of accounting and advisory services	From August 2002 to September 2008
Fortune Oil Company Limited	Oil and gas exploration and production	Accounting manager	Responsible for all accounting, management reporting and internal control function of group companies	From May 1996 to May 1997
RSM Nelson Wheeler (Note)	Accounting and advisory	Audit supervisor of the audit department	Assisting listed company clients to fulfil disclosure requirements, preparation of consolidated accounting records and audit planning	From February 1995 to April 1996
Kwan Wong Tan & Fong BDO	Accounting and advisory	Assistant accountant	Preparation of accounting records, tax computation and statutory audit records	From April 1993 to February 1995
		Junior accountant of the audit department		From February 1992 to March 1993

Note: RSM Nelson Wheeler is a member of the RSM Network administered by RSM International Limited, a company registered in England and Wales.

Apart from working in these companies, Mr. Wong has been the sole proprietor in the name of Ivan Wong & Co from April 1995 to February 2004 and from September 2007 to present under which he is responsible for the overall operations and supervision in the provision of accounting and advisory services to his clients.

He obtained his bachelor's degree in business administration from the Hong Kong Baptist College (currently known as Hong Kong Baptist University) in December 1991 and his bachelor's degree in Law from the City University of Hong Kong in November 2007. Mr. Wong has been a qualified accountant of Association of Chartered Certified Accountants since February 1994. He has been a member of the Hong Kong Institute of Certified Public Accountants since June 1994 and fellowship member of The Association of Chartered Certified Accountants since June 1999. He has been elected as a Councilor of Wanchai District Council since 2004. Mr. Wong was awarded a Medal of Honour from the Hong Kong Government in 2011.

Mr. Wong has been an independent non-executive Director and chairman of the audit committee, member of the nomination committee and remuneration committee of Natural Dairy (NZ) Holdings Limited up to 8 December 2016, a company listed on the Stock Exchange (stock code: 462) engaging in trading of food and beverage and dairy related products, and manufacturing and sales of beverage and dairy related products, since 28 August 2013.

Mr. Wang Yuncai (王雲才), aged 49, is an independent non-executive Director. He has been studying and teaching for architecture and urban planning for over 15 years.

Mr. Wang first undertook and completed his post-doctoral research work (博士後研究工作) in Architecture of Tongji University (同濟大學) from June 2001 to April 2003. Mr. Wang has held various positions under Landscape Studies Department of College of Architecture and Urban Planning in Tongji University (同濟大學建築與城市規劃學院), namely, (i) an associate professor in Landscape Planning and Design from January 2003 to June 2008; (ii) a professor deputy officer in Landscape since July 2008; and (iii) the deputy officer in Landscape since November 2009. He was also a research scholar in the field of landscape architecture at Virginia Polytechnic Institute and State University from January 2010 to June 2010.

Mr. Wang obtained his doctorate's degree in Human Geography (人文地理) from the Institute of Geographic Sciences and Natural Resources Research under Chinese Academy of Science (中國科學院地理科學與資源研究所) in July 2001. He is the author of "Landscape Ecosystem Planning Principles" (景觀生態規劃原理).

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Kwok Ka Hei (郭嘉熙), aged 35, the chief financial officer of our Company. He has over 11 years of experience in corporate finance and accounting profession. He joined our Group in December 2013 as the chief financial officer of Earthasia Limited. Mr. Kwok has also held the following position in our Group, namely, the director of Earthasia Farm Investment Ltd. since December 2015. Prior to joining our Group, Mr. Kwok served in GF Capital (Hong Kong) Limited in corporate finance department from October 2010 to December 2013. Prior to that, he served in KGI Capital Asia Limited in the investment banking department from December 2007 to October 2010. He also worked in PricewaterhouseCoopers Ltd. from September 2005 to November 2007. Mr. Kwok obtained his bachelor's degree of Arts with a major in Accountancy from the Hong Kong Polytechnic University in December 2005. He has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since July 2009 and a Financial Risk Manager of Global Association of Risk Professionals since April 2008.

Ms. Wu Man (吳曼), aged 45, is the chief human resources officer of our Company. She has over 19 years of experience in handling human resources and other general affairs. Ms. Wu joined our Group in March 2005 as the assistant to the general manager of Earthasia (Shanghai) Co., Ltd. She has also been the administrative director (行政總監) of Earthasia (Shanghai) Co., Ltd. since April 2011, responsible for formulating and implementing internal and regulatory manuals, reporting and reviewing the financial statements, and handling general and human affairs. Prior to joining our Group, she served in EDAW (Shanghai) Consulting Co. Ltd. (易道(上海)諮詢有限公司) as the office manager from November 2003 to November 2004, responsible for client management, human resources and administrative affairs. Ms. Wu served in Shanghai Vanke Real Estate Co., Limited (上海萬科房地產有限公司) from April 1993 to April 2000 responsible for the financial management.

Ms. Wu was qualified as corporate human resource professional (Grade II) by Shanghai Human Resources and Social Security Bureau in October 2012. She was also qualified as accountant by the PRC Finance Department in May 1997.

Ms. Chan Chi Hing (陳志卿), aged 43, is the company secretary of our Company. Ms. Chan joined our Group in November 2004 as the director and supervisor of Earthasia (Shanghai) Co., Ltd. until June 2006. She later served in Earthasia Limited in February 2005 as associate (finance) responsible for financial management.

She has been a member of the Association of Chartered Certified Accountants (UK) since June 2010, a member of the Hong Kong Institute Certified Public Accountants since May 2010 and an associate of the Taxation Institute of Hong Kong since April 2011. Ms. Chan obtained her bachelor's degree in accounting from the University of Hong Kong in December 2005.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the reporting period ended 31 December 2016. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiries to all Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for the leadership and monitoring of the Group's businesses, strategic decisions and overall performance. The day-to-day management responsibility is delegated to the executive Directors who perform their daily duties under the leadership of the Chief Executive Officer. The Board currently consists of nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Each executive Director and non-executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. One of the independent non-executive Directors has the professional qualifications on accounting or related financial management expertise required by the Listing Rules. Throughout the year ended 31 December 2016, the Company has three independent non-executive Directors representing not less than one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

The Board is responsible for the corporate governance functions under D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review the Company's compliance with the code and disclosure in the corporate governance report;
- to maintain an appropriate and effective internal control and risk management system

Corporate Governance Report

All directors have full and timely access to all relevant information, including monthly updates from the management, regular reports from various Board committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company as appropriate.

The Board acknowledges its responsibility for the preparing the financial statements of the Group according to the statutory requirements and the applicable accounting standards which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. The Board confirms that, to the best of their knowledge, the financial statements for the reporting year have been prepared on a going concern basis. The Board is not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The responsibilities of the external auditors of the Company on the financial statements are set out in the Independent Auditor's Report.

Biographies of all the directors are set out on the section headed "Biographies of Directors and Senior Management" of this annual report. The relationships among members of the Board, if any, have also been disclosed in the Report of the Directors of this annual report.

The Directors' and chief executive's remuneration and all other emoluments paid or payable to the Directors and chief executive during the year are set out on an individual and named basis in note 8 to the consolidated financial statements of this annual report.

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged appropriate directors and officers liability insurance cover for this purpose.

The Board held five meetings in 2016. The annual general meeting of the Company was held on 18 May 2016 with the attendance of the external auditor to answer questions.

The composition of the Board during the year is as follows:

Executive Directors	Mr. Lau Hing Tat Patrick *(Chairman)* Mr. Chan Yick Yan Andross *(Chief Executive Officer)* Mr. Tian Ming
Non-executive Directors	Mr. Michael John Erickson Mr. Ma Lida Ms. Huang Yaping
Independent non-executive Directors	Ms. Tam Ip Fong Sin Mr. Wong Wang Tai Mr. Wang Yuncai

Each of Ms. Tam Ip Fong Sin, Mr. Wong Wang Tai and Mr. Wang Yuncai will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Monday, 5 June 2017, being eligible, offer themselves for re-election pursuant to Article 108(a) of the articles of association of the Company (the "Articles").

In compliance of Rule 3.10(1) of the Listing Rules, the Board currently comprises three independent non-executive Directors representing one-third of the Board. Pursuant to paragraph 12B of Appendix 16 of the Listing Rules, each of the independent non-executive Directors has confirmed by annual confirmation that he/she has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst the three independent non-executive Directors, Mr. Wong Wang Tai has the appropriate professional qualifications on accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules.

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group.

The Board has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the"Nomination Committee") (collectively, the "Board Committees"). Further details of these committees are set out below.

BOARD MEETING

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of such meetings in compliance with paragraph A.1.1 of the CG Code. Agendas and accompanying papers are sent not less than 3 days before the date of Board meetings to ensure that the Directors are given sufficient time to review the same.

Five Board meeting were held during the year ended 31 December 2016. If necessary, ad-hoc meetings will also be convened to discuss the overall strategy as well as the operation and financial performance of the Group. Notice of Board meeting was sent to all Directors at least 14 days prior to a regular board meeting. Reasonable notices will be given to the Directors for ad-hoc board meetings. Directors may participate either in person or through electronic means of communications.

All relevant materials were sent to all the Directors relating to the matters brought before the meetings. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings.

Corporate Governance Report

The attendance of individual directors at the Board and its committee meetings, and the annual general meeting held in 2016 is set out in the following table:

		Metings attended in 2016 (note 1)			
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors					
Mr. Lau Hing Tat Patrick *(Chairman of the Board and the Nomination Committee)*	5/5	N/A	1/1	N/A	1/1
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	3/5	N/A	N/A	1/2	1/1
Mr. Tian Ming	4/5	N/A	N/A	N/A	0/1
Non-executive Directors					
Mr. Michael John Erickson	5/5	N/A	N/A	N/A	0/1
Mr. Ma Lida	4/5	1/3	N/A	N/A	0/1
Ms. Huang Yaping	4/5	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Ms. Tam Ip Fong Sin	5/5	3/3	1/1	2/2	1/1
Mr. Wong Wang Tai *(Chairman of the Audit Committee and the Remuneration Committee)*	5/5	3/3	N/A	2/2	1/1
Mr. Wang Yuncai	5/5	3/3	1/1	2/2	0/1

Note:

1. Directors may attend meetings in person, by telephone or through other means of video conference or by their alterate directors in accordance with the Company's Articles.

The Company has received from each of its independent non-executive Directors an annual confirmation of their independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current Articles provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the Listing Rules, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

Each non-executive Director and independent non-executive Director is appointed for a specific term of three years and one year respectively, subject to retirement by rotation and re-election in accordance with the Articles. Therefore, no director will remain in office for a term of more than three years. Each independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence and must provide an annual confirmation of his independency to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

A.2.1 of the CG Code requires the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. The Chairman of the Company is Mr. Lau Hing Tat Patrick and the functions of Chief Executive Officer are performed by Mr. Chan Yick Yan Andross. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the daily business of the Group in all aspects effectively.

Corporate Governance Report

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company continuously updates the Directors on the Group's business and the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Below is a summary of the training the Directors had received during the year under review:

Name of Director	Attendance/meeting held from the Listing Date to 31 December 2016
Mr. Lau Hing Tat Patrick *(Chairman)*	A & B
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	A & B
Mr. Tian Ming	A & B
Mr. John Michael Erickson	A & B
Mr. Ma Lida	A & B
Ms. Huang Yaping	A & B
Mr. Wong Wang Tai	A & B
Ms. Tam Ip Fong Sin	A & B
Mr. Wang Yuncai	A & B

A: attending seminars/workshops/forums

B: reading newspaper, journals and updates relating to landscape industry, director's duties, corporate governance practices, legal and regulatory developments

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Company and the Stock Exchange to assist them in the effective implementation of their functions. Specific responsibilities have been delegated to the above committees.

Audit Committee

The Company has established the Audit Committee on 3 June 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of four members namely, Mr. Wong Wang Tai (an independent non-executive Director), Ms. Tam Ip Fong Sin (an independent non-executive Director), Mr. Wang Yuncai (an independent non-executive Director) and Mr. Ma Lida (a non-executive Director). The chairman of the Audit Committee is Mr. Wong Wang Tai.

The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. These include reviewing the Group's interim and annual reports. They also make recommendations to the Board on the appointment and removal of external auditor, review the risks facing the Company and to oversee management in the design, implementation and monitoring of the risk management system.

During the year ended 31 December 2016, the Audit Committee held three meetings to, among others, approve the audit fee for the year ended 31 December 2016, reviewed the Group's internal control, the final results and annual report of the Group for the year ended 31 December 2015 and the interim results and interim report of the Group for the six months ended 30 June 2016, as well as other reports prepared by the external auditor covering major findings in the course of its audit/review before submission to the Board for approval.

Remuneration Committee

The Company has established the Remuneration Committee on 3 June 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of Mr. Wong Wang Tai (an independent non-executive Director), Mr. Wang Yuncai (an independent non-executive Director), Ms. Tam Ip Fong Sin (an independent non-executive Director) and Mr. Chan Yick Yan Andross (an executive Director). The chairman of the Remuneration Committee is Mr. Wong Wang Tai.

The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Board on the overall remuneration structure and policy as well as the specific remuneration packages for the Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No director will take part in any discussion on his own remuneration.

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account.

During the year ended 31 December 2016, the Remuneration Committee held two meetings to discuss and approve for recommendation to the Board the grant of share options and bonus for the year ended 31 December 2015 and salary adjustments of Directors and senior management for the year ended 31 December 2016.

Nomination Committee

The Company has established the Nomination Committee on 3 June 2014 with written terms of reference in compliance with the CG Code. The Nomination Committee consists of Mr. Lau Hing Tat Patrick (an executive Director), Mr. Wang Yuncai (an independent non-executive Director) and Ms. Tam Ip Fong Sin (an independent non-executive Director), a majority of whom are independent non-executive Directors. The chairman of the Nomination Committee is Mr. Lau Hing Tat Patrick.

Corporate Governance Report

The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

The Company recognizes and embraces the benefits of having Board diversity to enhance the quality of its performance in compliance with A.5.6 of the CG Code. When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations. Qualified candidates will then be recommended to the Board for approval.

During the year ended 31 December 2016, the Nomination Committee held one meeting to review structure, size and composition of the Board as to whether it was sufficient to meet the Company's business needs, and recommended to the Board on the retirement by rotation and re-election of Directors at the 2016 annual general meeting.

AUDITOR'S REMUNERATION

The fee charged by the Company's external auditor in respect of the audit and non-audit services to the Group during the year is summarized as below:

	Fees paid/payable (HK$'000)	
Services rendered	**2016**	2015
Audit services	**2,999**	2,743
Non-audit services (i.e. tax services, incorporation, certification, etc.)	**57**	99
Total	**3,056**	2,842

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no principal risks and uncertaintiesfacing the Group is set our int he section headed "Business Review" under the Report of the Director.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Corporate Governance Report

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise. The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

COMPANY SECRETARY

The company secretary is a full time employee of the Company. During the year under review, the company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for directing shareholders' enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Other shareholders' enquiries can be directed in writing with contact details (including name, address, telephone number and/or email address) to the Company's principal place of business in Hong Kong at 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong for the attention of the company secretary.

Procedures for convening an extraordinary general meeting by shareholders

Pursuant to Article 64 of the Company's Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at shareholders' meetings

Shareholders are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening an extraordinary meeting by shareholders".

Pursuant to Article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Corporate Governance Report

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company is committed to promoting and maintaining effective communication with the shareholders (both individual and institutional) and other stakeholders. The Company encourages two-way communications with institutional and retail investors, as well as financial and industry analysts. Extensive information on the Company's activities is provided in the annual and interim reports and circulars which are sent to the shareholders and are also available on the websites of the Company and the HKEX.

Shareholders are encouraged to attend the forthcoming annual general meeting of the Company for which at least 20 clear business days' notice is given. At the meeting, directors will be available to answer questions on the Group's business and external auditor will be available to answer questions about the conduct of the audit, the preparation and content of the auditor's reports, the accounting policies and the auditor independence.

CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents. The Company's Memorandum and Articles of Association are available on both the Company's and the Stock Exchange's websites.

Report of the Directors

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and has its registered office at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Group's principal place of business in Hong Kong is 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activity of the Group is landscape architecture in Hong Kong, the Mainland China and the Philippines. There were no significant changes in the nature of the Group's principal activity during the reporting year.

BUSINESS REVIEW

A fair review of the business of the Group during the year and particulars of important events affecting the Group that have occurred since the end of the financial year 2016 as well as a discussion on the Group's future business development are provided in the "Chairman's Statement" and the "Management's Discussion and Analysis" throughout this annual report. An analysis of the Group's performance for the year by operating segment is set out in note 4 to the Consolidated Financial Statements. The above discussions form part of this report.

Description of the principal risks and uncertainties facing the Group can be found in the paragraphs below.

Principal Risks and Uncertainties

The directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the industries in which the Group operates as well as others that are common to most if not all other businesses. The directors have established a policy to ensure that significant risks which may adversely affect the Group's performance and ability to deliver on its strategies, as well as those which may present positive opportunities, are identified, reported, monitored, and managed on a continuous basis.

Report of the Directors

The following are key risks that are considered to be of most significance to the Group at this time. They have the potential to adversely and/or materially affect the Group's businesses, financial conditions, results of operations and growth prospects if they are not managed effectively. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those shown below, which are not known to the Group or which may not be material now but could turn out to be material in the future.

No.	Risk Categories	Risk Title	Risk Descriptions	Risk Responses
A1	Strategic risk	Client management	In the event that the Group is unable to retain the clients, or expand the client base, the business, results of operations, profitability and liquidity may be adversely affected.	Business development team and project team maintain contacts with existing clients and keep the clients informed of the recent developments of the Group so as to strengthen the brand and reputation through the quality service.
A2	Operational risk	Accounts receivable management	The Group has faced prolonged payment cycle for some projects due to the slowdown of the economy.	Accounting Department and project team will pay close monitoring on the payment terms of the projects as well as the credit worthiness of the clients in order to improve the liquidity position.
A3	Operational risk	Staff training and advancement	Functional staffs may not have sufficient knowledge or lack awareness of the recent updates of market information, technical standard, law and regulatory requirement.	The Company will provide resources to support staff training and continuing professional development
A4	Operational risk	Program and software updates	Infrequent update for landscape design program and software may result in deteriorating work efficiency and design quality.	Project manager and project director will review all project-related systems and programs regularly.
A5	Operational risk	Sub-consultant management	If there is no proper sub-consultant selection procedure, an inappropriate sub-consultant would be selected in an unfair and untransparent manner.	A proper selection and quotation comparison procedure is formulated and implemented in the event that the service of sub-consultant is involved.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors of the Company, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 December 2016. More details are set out in the Environment, Social and Governance Report which will be published on the website of the Stock Exchange separately.

Key Relationships with Employees, Customers and Suppliers

Human resources are one of the most valuable assets of the Group. The Group also offers competitive remuneration packages to our employees. More details of the Group's employment and labour practices are set out in the section headed Human Resources and Employees' Remuneration of this annual report and the Environment, Social and Governance Report which will be published on the website of the Stock Exchange separately.

The Group treasured to maintain a good relationship with its clients. We are committed to offer a broad and diverse range of inspiring, value-for-money, good quality designs to our clients.

The Group maintains a fair, safe and ethical approach in its day-to-day operation towards its numerous and diversified contractors and suppliers. To comply with the laws and regulations of its operating countries intensity, the Group has established stringent internal controls to procuring goods and services through fair and unbiased tender process. The selection of subcontractors and suppliers will be based on competitive pricing, meet specifications and standards, product and service quality as well as service support.

Particulars of important events affecting the Group that have occurred since the end of the financial year 2016, if any, is set out in the above sections and the notes to the consolidated financial statements. The prospects of the Group's business is discussed throughout this annual report including in the "Chairman's Statement" of this annual report.

Throughout 2016, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

SUBSIDIARIES

Details of the Company's material subsidiaries as at 31 December 2016 are set out in note 1 to the consolidated financial statements.

Report of the Directors

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit and loss. The Board does not recommend the payment of final dividend for the year ended 31 December 2016. A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 162.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Wednesday, 31 May 2017 to Monday, 5 June 2017, both days inclusive, for the purpose of determining the entitlement to attend and vote at the annual general meeting ("AGM") scheduled to be held on Monday, 5 June 2017. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong ("Branch Share Registrar") not later than 4:30 p.m. on Monday, 29 May 2017.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2016, the Group had no material acquisitions, disposals and significant investments.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year ended 31 December 2016. Details of the share option scheme and the share award scheme of the Group are set out in the section headed "Share Option" and note 29 and 30 to the consolidated financial statements.

USE OF PROCEEDS

On 25 June 2014, the actual net proceeds raised from the initial public offering were approximately HK$88.8 million, after deduction of all actual underwriting commission, fees and expenses relating to the listing of the Company's shares. The Directors applied the net proceeds to finance the Group's capital expenditure in accordance with those stated in the prospectus of the Company. Up to 31 December 2015, (i) approximately HK$35.1 million was used to increase the registered capital of Earthasia (Shanghai) Co. Ltd., a principal operating subsidiary of the Company, from US$0.5 million to US$5 million in preparation for further establishment of new regional offices and branch offices to expand the business coverage in the PRC, (ii) approximately HK$6.3 million was used for the acquisition of equity interest in a PRC landscape company, and (iii) approximately HK$8.9 million was used for general working capital purpose.

On 10 July 2015, the Company completed a placing of an aggregate of 20,000,000 new Shares to not less than six independent placees at a placing price of HK$1.05 per Share. The net proceeds arising from the placing was approximately HK$20 million, which will be used to finance future investment opportunities to be identified by the Company and/or as general working capital of the Group. Up to 31 December 2015, (i) approximately HK$5.47 million was used for developing and operating eco-tourism business and (ii) approximately HK$4.0 million was used for supporting the trading business, (iii) approximately HK$2.86 million was used for investing in approximately 7.41% equity interest in an available-for-sale investment, namely Shenzhen Qianhai Lendbang Internet Financial Services Limited (深圳市前海邦你貸互聯網金融服務有限公司), which is an associate of Pubang principally engaged in the peer-to-peer ("P2P") internet financial services business, and (iv) approximately HK$7.7 million was used for general working capital purpose.

The unused net proceeds arising from the above fund raising activities have been placed as interest bearing deposits with banks in Hong Kong or the PRC.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$2,700 (2015: HK$12,000).

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year are set out in note 13 to the consolidated financial statements in this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2016 are set out in note 25 to the consolidated financial statements in this annual report.

SHARE CAPITAL AND SHARE AWARD SCHEME

Details of movements in the Company's share capital and Share Award Scheme during the year are set out in note 29 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company unless otherwise required by the Stock Exchange.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of all the former and existing directors of the Company is currently in force and was in force throughout the year of 2016 and as of the date of this report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with the applicable rules and regulations. To the best knowledge of the Directors of the Company, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2016.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders of the Company by reason of their holding of the shares of the Company.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (as amended) of the Cayman Islands, amounted to approximately HK$101.3 million. The amount of HK$101.3 million includes the Company's share premium account of approximately HK$130.4 million in aggregate at 31 December 2016, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years is set out on page 162 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, less than 30% of the Group's revenue from rendering of services was attributable to the Group's five largest customers, and less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had interests in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors	Mr. Lau Hing Tat Patrick *(Chairman)* Mr. Chan Yick Yan Andross *(Chief Executive Officer)* Mr. Tian Ming
Non-executive Directors	Mr. Michael John Erickson Mr. Ma Lida Ms. Huang Yaping
Independent non-executive Directors	Ms. Tam Ip Fong Sin Mr. Wong Wang Tai Mr. Wang Yuncai

Pursuant to Article 108(a), Ms. Tam Ip Fong Sin, Mr. Wong Wang Tai and Mr. Wang Yuncai will retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

Report of the Directors

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of their independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 17 to 24 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No Director proposed for re-election at the forthcoming AGM of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

None of the Directors had, at any time during or at the end of the year under review, whether directly or indirectly, a material interest in any contract of significance in relation to the Group's business to which the Company or any of its subsidiary was a party.

No contract of significance had been entered into between the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

Details of the continuing connected transactions and significant related party transactions are disclosed in this report and in note 37 to the consolidated financial statements.

Save for the above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any its subsidiaries was a party and in which a director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group (other than contracts of service with any Director or any person engaged in full time employment of the Group) were entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

Save as Mr. Ma Lida and Ms. Huang Yaping, our non-executive Directors nominated by Pubang, whom are required to declare their conflict of interests and barred from participation or voting on issue if there is any potential conflict of interest between the Group and Pubang, the Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year ended 31 December 2016.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-competition (as defined in the Prospectus). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

DIRECTORS' REMUNERATION

Details of the Directors emoluments are set out in note 8 to the consolidated financial statements in this annual report. The Directors' remunerations are determined subject to the recommendations of the Remuneration Committee and the Board's approval with reference to Directors' duties, responsibilities and performance and the results of the Group.

Report of the Directors

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its associated corporations

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which (i) are 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 short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange are as follows:

Long position in the Shares

		Number of Shares				Number of underlying Shares held under		Approximate
Name of Director	Capacity	Personal interest	Family interest	Corporate interest	Other interest	the Share Option Scheme	Total	% of shareholding
Chan Yick Yan Andross	Beneficial owner, interest of controlled corporation	274,000	–	132,006,887 (Note 1)	–	3,930,000	136,210,887	32.43%
Lau Hing Tat Patrick	Beneficial owner, interest of spouse, interest of controlled corporation	1,078,000	1,138,000	66,003,444 (Note 2)	–	3,930,000	72,149,444	17.18%
Tian Ming	Beneficial owner	–	–	–	–	3,930,000	3,930,000	0.94%
Ma Lida	Beneficial owner	–	–	–	–	1,000,000	1,000,000	0.24%
Michael John Erickson	Beneficial owner	–	–	–	–	500,000	500,000	0.12%

Notes:

1. Such interests are held by CYY Holdings Limited, a company incorporated in the British Virgin Islands, of which Mr. Chan Yick Yan Andross is interested in the entire issued share capital.

2. Such interests are held by LSBJ Holdings Limited, a company incorporated in the British Virgin Islands, of which Mr. Lau Hing Tat Patrick is interested in the entire issued share capital.

Long position in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Approximate % of shareholding
Chan Yick Yan Andross	Earthasia Worldwide Holdings Limited	Personal	50 (ordinary shares)	5.00%
	上海泰迪朋友投資管理有限公司	Interest of controlled corporation (Note 1)	RMB510,000 (registered capital)	5.10%

Note:

1. Such interests are held by 上海泰迪之友投資管理有限公司, which is 100% beneficially owned by 泛亞水泉水處理科技有限公司, which is in turn 100% beneficially owned by Earthasia Watersource Limited, of which Mr. Chan Yick Yan Andross is interested in the entire issued share capital.

Saved as disclosed above, as at 31 December 2016, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Report of the Directors

Long position in the Shares

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximate % of shareholding
CYY Holdings Limited (Note 1)	Beneficial owner	132,006,887	31.43%
PBLA Limited (Note 2)	Beneficial owner	105,593,669	25.14%
Pubang Landscape Architecture (HK) Company Limited (Note 2)	Interest in a controlled corporation	105,593,669	25.14%
Pubang Landscape Architecture Company Limited (Note 2)	Interest in a controlled corporation	105,593,669	25.14%
Tu Shan Zhong (Note 2)	Interest in a controlled corporation	105,593,669	25.14%
LSBJ Holdings Limited (Note 3)	Beneficial owner	66,003,444	15.72%

Notes:

1. CYY Holdings Limited is 100% beneficially owned by Mr. Chan Yick Yan Andross. Accordingly, Mr. Chan Yick Yan Andross is deemed to be interested in the shares of the Company held by CYY Holdings Limited under the SFO.

2. PBLA Limited is 100% beneficially owned by Pubang Landscape Architecture (HK) Company Limited, which is in turn 100% beneficially owned by Pubang Landscape Architecture Company Limited. Mr. Tu Shan Zhong is interested in 23.99% of the equity interest of Pubang Landscape Architecture Company Limited. Accordingly, each of Pubang Landscape Architecture (HK) Company Limited, Pubang Landscape Architecture Company Limited and Mr. Tu Shan Zhong is deemed to be interested in the Shares held by PBLA Limited under the SFO.

3. LSBJ Holdings Limited is 100% beneficially owned by Mr. Lau Hing Tat Patrick. Accordingly, Mr. Lau Hing Tat Patrick is deemed to be interested in the shares of the Company held by LSBJ Holdings Limited under the SFO.

SHARE OPTIONS

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014.

On 4 January 2016, 14,290,000 share options were granted to directors and employee under the Share Option Scheme. The exercise price of the options is HK$1.27. 50% of these share options granted vested on 4 January 2016 with an exercise period ranging from 4 January 2016 to 3 January 2018. The remaining 50% of these share options will vest on 4 January 2017 with an exercise period ranging from 4 January 2017 to 3 January 2018. The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the year ended 31 December 2016 was estimated on the date of grant using the following assumptions:

	First 50% portion		Second 50% portion	
	Directors	**Employee**	**Directors**	**Employee**
Dividend yield (%)	4.76	4.76	4.76	4.76
Expected volatility (%)	67.23	67.23	67.23	67.23
Risk-free interest rate (%)	0.51	0.51	0.51	0.51
Exercise multiple	2.47	2.47	1.60	1.60
Fair value of the share options (HK$ per share)	0.40	0.35	0.41	0.39

According to HKFRS 2, the fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using binomial pricing model, taking into account the terms and conditions upon which the options were granted.

Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse.

Since the binomial pricing model requires input of highly subjective assumptions, any change in the subjective input assumptions may materially affect the estimation of the fair value of an option.

The fair value of the share options granted during the year ended 31 December 2016 was HK$5,752,000. For the year ended 31 December 2016, the Group recognised share option expense of HK$5,721,000 (31 December 2015: Nil) in the statement of profit or loss.

At the end of the reporting period, the Company had 14,290,000 share options outstanding under the Share Option Scheme, which represented approximately 3.4% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 14,290,000 additional ordinary shares of the Company for a total cash proceeds of approximately HK$18,148,000 (before shares issue expenses).

Report of the Directors

A summary of the movements of the outstanding share options during the year ended 31 December 2016 are as follows:

Grantee	Date of grant	Vesting and exercisable period	Exercise price (HK$)	As at 01/01/2016	Number of Share Options: Granted	Number of Share Options: Exercised	Number of Share Options: Cancelled/ Lapsed	As at 31/12/2016
Directors								
Chan Yick Yan Andross	4/1/2016	4/1/2016-3/1/2018	1.27	–	1,965,000	–	–	1,965,000
		4/1/2017-3/1/2018	1.27		1,965,000			1,965,000
Lau Hing Tat Patrick	4/1/2016	4/1/2016-3/1/2018	1.27	–	1,965,000	–	–	1,965,000
		4/1/2017-3/1/2018	1.27		1,965,000			1,965,000
Tian Ming	4/1/2016	4/1/2016-3/1/2018	1.27	–	1,965,000	–	–	1,965,000
		4/1/2017-3/1/2018	1.27		1,965,000			1,965,000
Ma Lida	4/1/2016	4/1/2016-3/1/2018	1.27	–	500,000	–	–	500,000
		4/1/2017-3/1/2018	1.27		500,000			500,000
Michael John Erickson	4/1/2016	4/1/2016-3/1/2018	1.27	–	250,000	–	–	250,000
		4/1/2017-3/1/2018	1.27		250,000			250,000
Other employee(s)	4/1/2016	4/1/2016-3/1/2018	1.27	–	500,000	–	–	500,000
		4/1/2017-3/1/2018	1.27		500,000			500,000
Total				–	14,290,000	–	–	14,290,000

The closing price of the Shares immediately before the date on which the options were granted was HK$1.34.

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries a party to any arrangement that enabled the Directors or any of their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

All the options forfeited before expiry of the Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Share Option Scheme.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2016, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

Continuing connected transactions

The Group has entered into the following non-exempted continuing connected transactions:

During the year ended 31 December 2016, the Group had conducted the following connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Transactions	2016 HK$'000	2015 HK$'000
Non-exempt continuing connected transactions		
(i) Contract revenue from Pubang, a substantial shareholder of the Company	**6,155**	1,537
(ii) Subcontracting and referral fee to Pubang	**817**	1,205

Details of the continuing connected transactions in relation to the Cooperation Agreement entered into between the Group and Pubang Landscape Architecture Company Limited (廣州普邦園林股份有限公司) ("Pubang") have been disclosed in the announcement and circular of the Company dated 30 July 2014 and 21 August 2014 respectively, which was approved by the independent Shareholders at the EGM on 8 September 2014. The continuing connected transactions did not exceed the approved annual cap.

Annual review of the continuing connected transactions

The Directors (including all independent non-executive Directors) have reviewed the continuing connected transaction and confirmed that this transaction was entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreement governing it and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in its normal course of business are set out in note 37 to the consolidated financial statements. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" on pages 51 to 52. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, at least 25% of the Company's total issued share capital was held by public as required under the Listing Rules.

AUDITOR

The financial statements of the Company for the year ended 31 December 2016 was audited by Ernst & Young, which retires and being eligible, offers itself for re-appointment at the AGM. A resolution will be proposed at the AGM to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board
Lau Hing Tat Patrick
Chairman

Hong Kong, 30 March 2017

Independent Auditor's Report

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To the shareholders of Earthasia International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Earthasia International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 161, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Accounting for service contracts A significant proportion of the Group's revenue and profit was generated from design service contracts. Revenue from these contracts is recognised on a percentage-of-completion basis, which involves a significant amount of judgement by management; with estimates being made to assess, the expected (i.e., budgeted) total costs, total contract revenues and the stage of completion of the contracts. The subjectivity involved in these judgements could lead to different amounts of profit and revenue being reported in the financial statements. The disclosures about revenue recognition are included in notes 3 and 5 to the consolidated financial statements.	We performed the following procedures, among others: • obtained an understanding of management's processes for estimating total contract costs and forecast costs to completion, including taking into account the historical accuracy of such estimates. • evaluated and tested the operating effectiveness of relevant internal controls, including project controls over contract profitability and progress; • performed procedures for key contracts with respect to project calculations and result forecasts and management's assessment thereof, which included a comparison between the budgeted and actual cost information; • corroborated management's position through examination of externally generated evidence, such as customer correspondence and project supervisor's progress reports; and • evaluated the provision for loss-making contracts for projects on hand as at 31 December 2016 by comparing the contract revenue with total budgeted costs.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of receivables As at 31 December 2016, trade receivables and amounts due from contract customers of the Group amounted to HK$57,394,000 and HK$56,960,000, respectively (net of provision for impairment). An expense in respect of provision for the impairment of trade receivables and amounts due from contract customers was recognised during the year of HK$7,628,000 and HK$7,060,000, respectively. When determining whether trade receivables and amounts due from contract customers are collectable, significant management's judgement is involved, taking into account various factors including the age of the balance, existence of disputes, recent and historical payment patterns and other available information concerning the creditworthiness of the customers. Relevant disclosures are included in notes 3, 6, 19 and 21 to the consolidated financial statements.	Our audit procedures included assessing and testing the Group's processes and controls relating to the monitoring of trade receivables and amounts due from contract customers and, the granting of credit terms and contract terms relating to billing milestones, we also tested the aging analyses, and obtained direct confirmations for a sample of customer receivable balances. We then evaluated the adequacy of the Group's provision for impairment of trade receivables and gross amount due from contract customers by reference to the Group's debtor collection history and subsequent settlement, together with the customers' relationship with the Group and their financial background. We also considered the adequacy of the disclosures, in particular those included in notes 19 and 21.
Share options Share options were granted during the year. The fair value of the options at the grant date was HK$5,752,000 and a share option expense of HK$5,721,000 was recognised in 2016. The options were fully vested when granted. The valuation of the share options was based on a number of assumptions by management. The key assumptions included the future performance of the Group's business; the average historical market price and expected volatility of the Company's shares; and the risk adjusted discount rate after taking into account the risk free interest rate. Determining these assumptions requires significant judgement and the use of estimates. Relevant disclosures are included in note 30 to the consolidated financial statements.	We evaluated the Group's processes over the granting and the recording of the share options. With the support of our valuation experts, we tested the key assumptions and data used by management's external professional valuer. We also assessed whether the accounting for the share options had taken into account the terms in the share option contract and that the date of grant was appropriate. We then considered the adequacy of the disclosures relating to the valuation, included in note 30.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Cheung.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**183,774**	237,703
Cost of services provided	6	**(94,010)**	(110,636)
GROSS PROFIT		**89,764**	127,067
Other income and gains	5	**11,298**	8,564
Selling and marketing expenses		**(8,509)**	(7,299)
Administrative expenses		**(85,220)**	(82,156)
Finance costs	7	**(48)**	(457)
Other expenses		**(15,136)**	(10,863)
Share of losses of:	4		
Joint ventures		**(702)**	(1,011)
Associates		**(1,742)**	–
(LOSS)/PROFIT BEFORE TAX	6	**(10,295)**	33,845
Income tax expense	10	**(583)**	(11,491)
(LOSS)/PROFIT FOR THE YEAR		**(10,878)**	22,354
Attributable to:			
Owners of the parent		**(9,365)**	23,527
Non-controlling interests		**(1,513)**	(1,173)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For (loss)/profit for the year		**HK(2.3 cents)**	HK6.1 cents
Diluted			
– For (loss)/profit for the year		**HK(2.3 cents)**	HK6.1 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(10,878)**	22,354
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(7,468)**	(7,813)
	(7,468)	(7,813)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(7,468)**	(7,813)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit obligations	**(148)**	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(148)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(7,616)**	(7,813)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(18,494)**	14,541
Attributable to:		
Owners of the parent	**(17,011)**	15,781
Non-controlling interests	**(1,483)**	(1,240)
	(18,494)	14,541

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Goodwill	14	**3,111**	3,111
Property and equipment	13	**5,128**	5,625
Intangible assets	15	**3,976**	5,555
Prepayments and deposits	20	**2,762**	888
Investments in joint ventures	16	**–**	4,277
Investments in associates	17	**8,472**	–
Available-for-sale investment	18	**2,679**	2,864
Deferred tax assets	27	**7,051**	5,289
Total non-current assets		**33,179**	27,609
CURRENT ASSETS			
Gross amount due from customers for contract work	21	**56,960**	64,624
Trade and bills receivables	19	**57,394**	56,758
Prepayments, deposits and other receivables	20	**16,766**	23,014
Available-for-sale investment	18	**–**	23,864
Tax recoverable		**–**	3,235
Pledged deposit	22	**–**	30,000
Cash and bank balances	22	**70,085**	94,805
Total current assets		**201,205**	296,300
CURRENT LIABILITIES			
Trade payables	23	**5,099**	3,624
Other payables and accruals	24	**14,565**	30,358
Interest-bearing bank and other borrowings	25	**–**	30,644
Gross amount due to customers for contract work	21	**13,398**	17,356
Tax payable		**26,146**	30,029
Dividends payable		**63**	108
Total current liabilities		**59,271**	112,119
NET CURRENT ASSETS		**141,934**	184,181
TOTAL ASSETS LESS CURRENT LIABILITIES		**175,113**	211,790

Consolidated Statement of Financial Position (continued)

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Finance lease payable	26	**–**	299
Retirement benefit obligations	28	**646**	405
Deferred tax liabilities	27	**3,278**	4,592
Total non-current liabilities		**3,924**	5,296
NET ASSETS		**171,189**	206,494
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**4,200**	4,200
Treasury shares	29	**(88)**	(140)
Other reserves	31	**167,085**	201,895
		171,197	205,955
Non-controlling interests		**(8)**	539
Total equity		**171,189**	206,494

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to owners of the parent										
	Notes	Share capital (note 29) HK$'000	Treasury shares (note 29) HK$'000	*Share premium account (note 29) HK$'000	*Share award plan reserve HK$'000	*Capital reserve HK$'000	*Reserve funds HK$'000	*Exchange fluctuation reserve HK$'000	*Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		4,000	(157)	103,328	–	5	6,522	4,650	67,641	185,989	1,779	187,768
Profit for the year		–	–	–	–	–	–	–	23,527	23,527	(1,173)	22,354
Other comprehensive loss for the year:												
Exchange differences related to foreign operations		–	–	–	–	–	–	(7,746)	–	(7,746)	(67)	(7,813)
Total comprehensive income for the year		–	–	–	–	–	–	(7,746)	23,527	15,781	(1,240)	14,541
Issue of shares	29(a)	200	–	20,800	–	–	–	–	–	21,000	–	21,000
Shares repurchased	29(b)	–	(1)	(108)	–	–	–	–	–	(109)	–	(109)
Share issue expenses		–	–	(737)	–	–	–	–	–	(737)	–	(737)
Final 2014 dividend declared		–	–	–	–	–	–	–	(19,764)	(19,764)	–	(19,764)
Equity-settled share-based payments	29(c)	–	18	2,116	1,661	–	–	–	–	3,795	–	3,795
Transfer from retained profits		–	–	–	–	–	3,907	–	(3,907)	–	–	–
At 31 December 2015		4,200	(140)	125,399	1,661	5	10,429	(3,096)	67,497	205,955	539	206,494

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2016

	Notes	Attributable to owners of the parent										Non-controlling interests HK$'000	Total equity HK$'000
		Share capital (note 29) HK$'000	Treasury shares (note 29) HK$'000	*Share premium account (note 29) HK$'000	*Share award plan reserve HK$'000	*Share option reserve HK$'000	*Capital reserve HK$'000	*Reserve funds HK$'000	*Exchange fluctuation reserve HK$'000	*Retained profits HK$'000	Total HK$'000		
At 1 January 2016		4,200	(140)	125,399	1,661	–	5	10,429	(3,096)	67,497	205,955	539	206,494
Loss for the year		–	–	–	–	–	–	–	–	(9,365)	(9,365)	(1,513)	(10,878)
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(7,498)	–	(7,498)	30	(7,468)
Remeasurement loss on defined benefit obligations		–	–	–	–	–	–	–	–	(148)	(148)	–	(148)
Total comprehensive loss for the year		–	–	–	–	–	–	–	(7,498)	(9,513)	(17,011)	(1,483)	(18,494)
Treasury shares purchased	29(d)	–	(37)	(4,720)	–	–	–	–	–	–	(4,757)	–	(4,757)
Disposal of subsidiaries	33	–	–	–	–	–	–	–	–	–	–	42	42
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(4,243)	(4,243)	894	(3,349)
Final 2015 dividend paid		–	–	–	–	–	–	–	–	(22,650)	(22,650)	–	(22,650)
Equity-settled share-based payments	30	–	89	9,754	(1,661)	–	–	–	–	–	8,182	–	8,182
Equity-settled share option arrangements	30	–	–	–	–	5,721	–	–	–	–	5,721	–	5,721
At 31 December 2016		4,200	(88)	130,433	–	5,721	5	10,429	(10,594)	31,091	171,197	(8)	171,189

* These reserve accounts comprise the consolidated other reserves of HK$167,085,000 (2015: HK$201,895,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(10,295)**	33,845
Adjustments for:			
Finance costs	7	**48**	457
Share of losses of joint ventures	4	**702**	1,133
Share of losses of associates	4	**1,742**	–
Equity-settled share award expense	6	**3,730**	3,795
Equity-settled share option expense	6	**5,721**	–
Interest income	5	**(3,881)**	(1,241)
Loss/(gain) on disposal of items of property and equipment	6	**5**	(415)
Gain on disposal of subsidiaries	33	**(222)**	–
Depreciation	6	**2,261**	3,063
Amortisation of intangible assets	6	**1,641**	1,606
Expenses relating to a defined benefit plan	28	**127**	418
Provision for impairment of trade receivables	6	**7,628**	4,170
Provision for impairment of deposits and other receivables	6	**57**	182
Provision for impairment of gross amount due from customers for contract work	6	**7,060**	6,599
Impairment of tax recoverable		**3,187**	–
Exchange loss		**2,421**	–
Payables written back	5	**(404)**	–
		21,528	53,612
Increase in gross amount due from customers for contract work		**(3,229)**	(8,990)
Increase in trade and bills receivables		**(11,791)**	(9,984)
Increase in prepayments, deposits and other receivables		**(2,693)**	(5,836)
Increase in trade payables		**2,149**	883
(Decrease)/increase in other payables and accruals		**(11,533)**	13,083
Decrease in gross amount due to customers for contract work		**(3,174)**	(12,246)
Cash (used in)/generated from operations		**(8,743)**	30,522
Interest element of finance lease rental payments	7	**(24)**	(20)
Interest received		**332**	–
Income tax paid		**(6,096)**	(7,599)
Net cash flows (used in)/from operating activities		**(14,531)**	22,903

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,549**	1,145
Purchases of items of property and equipment		**(2,042)**	(2,633)
Proceeds from disposal of items of property and equipment		**7**	914
Capital contribution to a joint venture		**–**	(5,370)
Capital contribution to an associate		**(7,128)**	–
Increase/(decrease) in prepayments, deposits and other receivables relating to investment in an entity's equity interest		**1,870**	(6,168)
Repayment of a loan to a joint venture		**35,412**	–
Loan to a joint venture		**(31,412)**	(4,000)
Acquisition of non-controlling interests		**(3,349)**	–
Disposal of subsidiaries	33	**(3)**	–
Disposal of an available-for-sale investment		**23,370**	–
Addition of an available-for-sale investment		**(2,864)**	(23,864)
Additions to intangible assets		**(341)**	(5,023)
Net cash flows from/(used in) investing activities		**17,069**	(44,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	21,000
Proceeds from grant of awarded shares		**4,451**	–
Shares repurchased		**(4,757)**	(109)
New bank loan		**–**	30,000
New other loan		**–**	557
Repayment of a bank loan		**(30,000)**	–
Repayment of other loan		**(318)**	(232)
Share issue expenses		**–**	(737)
Dividends paid		**(22,695)**	(19,656)
Interest paid		**(24)**	(437)
Decrease/(increase) in pledged time deposit		**30,000**	(30,000)
Capital element of finance lease rental payments		**(606)**	(413)
Net cash flows used in financing activities		**(23,949)**	(27)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(21,411)**	(22,123)
Cash and cash equivalents at beginning of year		**94,805**	121,527
Effect of foreign exchange rate changes, net		**(3,309)**	(4,599)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**70,085**	94,805

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ANALYSIS OF BALANCES OF CASH CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**70,085**	75,986
Non-pledged time deposits with original maturity of less than three months when acquired	22	**–**	18,819
Cash and bank balances as stated in the consolidated statement of financial position		**70,085**	94,805
Cash and cash equivalents as stated in the statement of cash flows		**70,085**	94,805

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION

Earthasia International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 25 November 2013. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Group is landscape architecture mainly in Hong Kong and Mainland China. There were no significant changes in the nature of the Group's principal activity during the year.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Earthasia Holdings Limited*	British Virgin Islands	US$100	100%	–	Investment holding
Earthasia (International) Limited* ("EAI")	Hong Kong	HK$5,000	–	100.00%	Landscape architecture
泛亞景觀設計(上海)有限公司* ("Earthasia (Shanghai) Co., Ltd.") #	Mainland China	US$5,000,000	–	100.00%	Landscape architecture
Earthasia Limited*	Hong Kong	HK$10,000	–	100.00%	Landscape architecture
泛亞國際環境設計(廈門)有限公司* ("Earthasia (Xiamen) Co., Ltd.") # ("EAXM")	Mainland China	RMB1,000,000	–	100.00%	Landscape architecture
EA Group International, Inc. ("EAM")	Philippines	PHP1,000,000	–	99.95%	Design and drawing support services
泛亞城市規劃設計(上海)有限公司* ("Earthasia Design (Shanghai) Co., Ltd.") #	Mainland China	RMB1,000,000	–	100.00%	Landscape architecture
前海泛亞景觀設計(深圳)有限公司* ("Earthasia (QianHai) Limited") #	Mainland China	HK$1,000,000	–	100.00%	Interior design and landscape
Earthasia Farm Investment Limited*	Hong Kong	HK$100	–	70.00%	Investment holding
寧波市園美設計諮詢有限公司* ("Ningbo Yuanmei Design and Consulting Limited") #	Mainland China	RMB1,000,000	–	100.00%	Landscape architecture

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION (Continued)

INFORMATION ABOUT SUBSIDIARIES (Continued)

Earthasia (Shanghai) Co., Ltd., Earthasia (Xiamen) Co., Ltd., Earthasia Design (Shanghai) Co., Ltd. and Earthasia (QianHai) Limited, Ningbo Yuanmei Design and Consulting Limited are registered as foreign-owned enterprises under the law of the People's Republic of China (the "PRC").

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies do not register any official English names.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Notes to Financial Statements

31 December 2016

2.1 BASIS OF PREPARATION (Continued)

BASIS OF CONSOLIDATION (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in IAS 1;

  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

  (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of IFRSs

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(A) CLASSIFICATION AND MEASUREMENT

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(B) IMPAIRMENT

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 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 IFRS 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 standard will supersede all current revenue recognition requirements under IFRSs. In June 2016, the IASB issued amendments to IFRS 15 to address the implement action issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS AND GOODWILL (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than service contract assets, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT AND DEPRECIATION (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and equipment	20%
Motor vehicles	20%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of three to five years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on the classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TREASURY SHARES

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the reporting period of the future expenditures excepted to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the each of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

CONTRACTS FOR SERVICES

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRACTS FOR SERVICES (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

SHARE-BASED PAYMENTS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

OTHER EMPLOYEE BENEFITS

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% to 21% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OTHER EMPLOYEE BENEFITS (Continued)

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Finance lease – Group as lessee

The Group has entered into a finance lease arrangement on certain of the Group's motor vehicles. The Group has determined that it retains all the significant risks and rewards of ownership of the motor vehicle under such finance lease arrangement.

Research and development costs

The Group determines whether costs of research and development qualify for capitalisation, and has developed criteria in making that judgement. Therefore, the Group considers whether costs of research and development to be capitalised generates future cash flows, and whether the Group has the technical feasibility of completing the development so that the item under research and development will be available for use or sale and the Group has the intention to complete the development. The Group also considers the ability in measuring development expenditure during the development.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Percentage of completion of rendering of services

The Group recognises revenue according to the percentage of completion of individual contracts of services, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a foreseeable loss may arise.

Notes to Financial Statements

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Estimation of total budgeted costs and cost to completion for service contracts

Total budgeted costs for service contracts comprise (i) direct material costs, (ii) costs of subcontracting and direct labour, and (iii) an appropriation of variable and fixed service overheads. In estimating the total budgeted costs for service contracts, management makes reference to information such as (i) current offers from sub-contractors and suppliers, and (ii) recent offers agreed with sub-contractors and suppliers.

Estimated useful lives of property and equipment and intangible assets

The Group's management determines the useful lives and related depreciation/amortisation charges for the Group's property and equipment, and intangible assets. This estimate is based on the historical experience of the actual useful lives of property and equipment, and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives and therefore depreciation/amortisation in the future periods.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$3,111,000 (2015: HK$3,111,000). Further details are given in note 14.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits and temporary differences. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimate, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

Provision for impairment of trade and other receivables

The provision policy for impairment of trade and other receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Notes to Financial Statements

31 December 2016

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

(a) Residential development projects involve residential club houses, podiums, gardens or recreational areas;

(b) Infrastructure and public open space projects involve municipal or local government works in relation to infrastructure areas, public parks and public green areas of property developers;

(c) Commercial and mixed-use development projects involve shopping arcades, office buildings or mixed-use commercial and residential premises; and

(d) Tourism and hotel projects mainly involve landscape architecture of theme parks, resorts and hotels.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, goodwill, tax recoverable, pledged deposits, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the service prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit/loss and certain asset, liability and expenditure information for the Group's operating segments for the year.

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31 December 2016

4. OPERATING SEGMENT INFORMATION (Continued)

YEAR ENDED 31 DECEMBER 2016

	Residential development projects HK$'000	Infrastructure and public open space projects HK$'000	Commercial and mixed-use development projects HK$'000	Tourism and hotel projects HK$'000	Total HK$'000
Segment revenue:					
Revenue	78,634	60,253	38,325	6,562	183,774
Segment results	31,496	28,561	18,856	3,223	82,136
Reconciliation					
Unallocated income and gains					11,298
Unallocated expenses					(101,237)
Share of losses of:					
Associates					(1,742)
Joint ventures					(702)
Finance costs					(48)
Loss before tax					(10,295)
Segment assets:	53,069	34,637	20,371	6,277	114,354
Reconciliation					
Unallocated assets					120,030
Total assets					234,384
Segment liabilities	5,114	3,827	5,787	454	15,182
Reconciliation					
Unallocated liabilities					48,013
Total liabilities					63,195
Other segment information					
Provision/(reversal of provision) for impairment of trade receivables	4,129	1,915	1,651	(67)	7,628
Unallocated:					
Depreciation and amortisation					3,902
Investments in associates					8,472
Capital expenditures*					
Unallocated					2,383

* Capital expenditures consist of the additions of property and equipment and intangible assets.

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31 December 2016

4. OPERATING SEGMENT INFORMATION (Continued)

YEAR ENDED 31 DECEMBER 2015

	Residential development projects HK$'000	Infrastructure and public open space projects HK$'000	Commercial and mixed-use development projects HK$'000	Tourism and hotel projects HK$'000	Total HK$'000
Segment revenue:					
Revenue	116,174	53,703	45,677	22,149	237,703
Segment results	68,014	20,809	25,574	8,500	122,897
Reconciliation					
Unallocated income and gains					8,564
Unallocated expenses					(96,148)
Share of losses of:					
Joint ventures					(1,011)
Finance costs					(457)
Profit before tax					33,845
Segment assets:	62,140	25,939	26,222	7,081	121,382
Reconciliation					
Unallocated assets					202,527
Total assets					323,909
Segment liabilities	7,434	2,865	6,416	1,535	18,250
Reconciliation					
Unallocated liabilities					99,165
Total liabilities					117,415
Other segment information					
Provision for impairment of trade receivables	598	1,922	187	1,463	4,170
Unallocated:					
Depreciation and amortisation					4,669
Investments in joint ventures					4,277
Capital expenditures*					
Unallocated					7,071

* Capital expenditures consist of the additions of property and equipment and intangible assets.

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4. OPERATING SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

(a) *Revenue from external customers*

	2016 HK$'000	2015 HK$'000
Hong Kong	**25,703**	26,597
Mainland China	**157,893**	210,007
Others	**178**	1,099
	183,774	237,703

The revenue information above is based on the locations of the customers.

During the years ended 31 December 2016 and 2015, other than Mainland China and Hong Kong, the Group derived revenue from Macau and the Philippines.

(b) *Non-current assets*

	2016 HK$'000	2015 HK$'000
Hong Kong	**3,286**	1,139
Mainland China	**19,616**	17,611
Others	**115**	459
	23,017	19,209

The non-current asset information above is based on the locations of the assets and excludes goodwill and deferred tax assets.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue of approximately HK$5,951,000 (2015: HK$17,346,000) was derived from services to a single customer.

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5. REVENUE, OTHER INCOME AND GAINS

Revenue represents an appropriate proportion of contract revenue from service contracts during the year.

An analysis of revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Service contracts	**183,774**	237,703
Other income		
Service income	**4,140**	3,922
Interest income	**3,881**	1,241
Government grants	**2,651**	2,986
	10,672	8,149
Gains		
Payables written back	**404**	–
Gain on disposal of subsidiaries	**222**	–
Gain on disposal of items of property and equipment	**–**	415
	626	415
	11,298	8,564

Government grants were received for tax subsidy and for promoting the Group's business in the local area. There are no unfulfilled conditions or contingencies relating to these grants.

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6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2016 HK$'000	2015 HK$'000
Cost of services provided		**94,010**	110,636
Depreciation	13	**2,261**	3,063
Amortisation of intangible assets	15	**1,641**	1,606
Research and development costs:			
Current year expenditure		**7,271**	7,691
Minimum lease payments under operating leases		**13,576**	15,009
Auditor's remuneration		**3,056**	2,842
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**88,568**	101,180
Equity-settled share award expense		**3,730**	3,795
Equity-settled share option expense		**5,721**	–
Pension scheme contributions (defined contribution scheme)		**11,646**	14,883
Welfare and other benefits		**4,345**	5,033
		114,010	124,891
Foreign exchange differences, net		**2,676**	2,395
Provision for impairment of gross amount due from customers for contract work		**7,060**	6,599
Provision for impairment of trade receivables	19	**7,628**	4,170
Provision for impairment of deposits and other receivables	20	**57**	182
Interest income		**(3,881)**	(1,241)
Gain on disposal of subsidiaries	5	**(222)**	–
Loss/(gain) on disposal of items of property and equipment		**5**	(415)
Expenses relating to defined benefit plan	28	**127**	418

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 HK$'000	2015 HK$'000
Interest on a bank loan	**24**	437
Interest on finance lease	**24**	20
	48	457

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383 (1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2016 HK$'000	2015 HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**9,206**	10,444
Equity-settled share option expense	**5,353**	–
Pension scheme contributions and other benefits	**123**	155
	14,682	10,599
	15,042	10,959

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2016 HK$'000	2015 HK$'000
Fong Sin Tam Ip	120	120
Wang Tai Wong	120	120
Yuncai Wang	120	120
	360	360

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(B) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND THE CHIEF EXECUTIVE

	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions and other benefits HK$'000	Total HK$'000
2016				
Executive directors:				
Patrick Lau	**2,400**	**1,583**	**18**	**4,001**
Ming Tian	**1,865**	**1,583**	**–**	**3,448**
	4,265	**3,166**	**18**	**7,449**
Non-executive directors:				
Michael John Erickson	**1,475**	**201**	**55**	**1,731**
Lida Ma	**280**	**403**	**–**	**683**
Yaping Huang	**280**	**–**	**–**	**280**
	2,035	**604**	**55**	**2,694**
Chief executive:				
Andross Chan	**2,906**	**1,583**	**50**	**4,539**
	9,206	**5,353**	**123**	**14,682**
2015				
Executive directors:				
Patrick Lau	2,520	–	18	2,538
Ming Tian	2,004	–	33	2,037
	4,524	–	51	4,575
Non-executive directors:				
Michael John Erickson	1,678	–	54	1,732
Lida Ma	600	–	–	600
Yaping Huang	600	–	–	600
	2,878	–	54	2,932
Chief executive:				
Andross Chan	3,042	–	50	3,092
	10,444	–	155	10,599

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 3 directors and the chief executive (2015: 3 directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 1 (2015: 1) highest paid employee who is neither a director nor a chief executive of the Company are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**1,126**	1,316
Pension scheme contributions and other benefits	**50**	50
	1,176	1,366

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
	1	1

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

泛亞景觀設計（上海）有限公司 was granted with the qualification of High and New Technology Enterprises (“HNTE”) on 27 February 2015 and is entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2014 (2015: 15%).

前海泛亞景觀設計（深圳）有限公司 has been provided at the rate of 15% (2015: 15%) on the estimated assessable profits as its main principal activities, of engaging in interior design and landscape, are recognised as encouraged industries in Qianhai district, Shenzhen in Mainland China.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% for the year (2015: 25%) under the income tax rules and regulations in the PRC.

EA Group International, Inc. was subject to Philippines income tax at the rate of 30% on the estimated taxable income during the year. Starting from the fourth taxable year after the year the business operations commenced, entities incorporated in the Philippines are required to pay tax equivalent to the higher of 30% regular corporate income tax (“RCIT”) on taxable income and the 2% minimum corporate income tax (“MCIT”) on gross income. Gross income is equivalent to revenue less direct costs. Any excess of the MCIT over RCIT can be carried forward and credited against RCIT for three succeeding taxable years.

	2016 **HK$’000**	2015 HK$’000
Current – Hong Kong	**1,543**	1,840
Current – Mainland China	**2,522**	8,425
Current – Philippines	**33**	134
	4,098	10,399
Deferred (note 27)	**(3,515)**	1,092
Total tax charge for the year	**583**	11,491

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10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2016

	Hong Kong		Mainland China		Philippines		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	14,021		(3,471)		765		(21,610)		(10,295)	
Tax at the statutory tax rate	2,313	16.5	(868)	25.0	230	30.0	–	–	1,675	(16.3)
Lower tax rate for specific provinces or enacted by local authority	–	–	(116)	3.3	–	–	–	–	(116)	1.1
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	(223)	(1.6)	–	–	–	–	–	–	(223)	2.2
Adjustments in respect of current tax of previous periods	–	–	67	(1.9)	–	–	–	–	67	(0.7)
Income not subject to tax	(3,620)	(25.8)	–	–	(242)	(31.6)	–	–	(3,862)	37.5
Expense not deductible for tax	1,681	12.0	83	(2.4)	4	0.5	–	–	1,768	(17.2)
Temporary difference not recognised	(82)	(0.6)	164	(4.7)	38	5.0	–	–	120	(1.2)
Tax losses utilised from previous periods	–	–	(63)	1.8	–	–	–	–	(63)	0.6
Tax losses not recognised	160	1.1	1,057	(30.5)	–	–	–	–	1,217	(11.8)
Tax change at the Group's effective rate	229	1.6	324	(9.3)	30	3.8	–	–	583	(5.7)

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10. INCOME TAX (Continued)

2015

	Hong Kong		Mainland China		Philippines		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	24,113		36,081		636		(26,985)		33,845	
Tax at the statutory tax rate	3,979	16.5	9,020	25.0	191	30.0	–	–	13,190	39.0
Lower tax rate for specific provinces or enacted by local authority	–	–	(4,611)	(12.8)	–	–	–	–	(4,611)	(13.6)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	3,452	14.3	–	–	–	–	–	–	3,452	10.2
Income not subject to tax	(3,515)	(14.6)	–	–	(232)	(36.5)	–	–	(3,747)	(11.1)
Expense not deductible for tax	256	1.1	1,160	3.2	173	27.2	–	–	1,589	4.7
Tax losses utilised from previous periods	–	–	(2)	–	–	–	–	–	(2)	–
Tax losses not recognised	62	0.3	1,558	4.3	–	–	–	–	1,620	4.8
Tax charge at the Group's effective rate	4,234	17.6	7,125	19.7	132	20.7	–	–	11,491	34.0

11. DIVIDEND

	2016 **HK$'000**	2015 HK$'000
Proposed final – nil (2015: HK5.5 cents) per ordinary share	–	22,445
	–	22,445

The Board does not recommend the payment of any final dividend in respect for the year ended 31 December 2016.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 410,921,448 (2015: 385,635,897) in issue during the year, as adjusted to reflect the shares repurchased for the purpose of awarding shares to eligible persons under the share award scheme during the year.

The calculation of the diluted earnings per share amount is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share presented.

The Group had potentially dilutive ordinary shares in issue during the year ended 31 December 2015. Adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2015 in respect of a dilution as the impact of the share award had a dilutive effect on the basic earnings per share presented.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2016	2015
	HK$'000	HK$'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(9,365)**	23,527

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss/earnings per share calculations	**410,921,448**	385,635,897
Effect of dilution – weighted average number of ordinary shares:		
Shares awarded	**–**	1,912,325
	410,921,448	387,548,222

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13. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2016				
At 31 December 2015, and at 1 January 2016:				
Cost	5,103	12,073	2,693	19,869
Accumulated depreciation	(4,068)	(9,540)	(636)	(14,244)
Net carrying amount	1,035	2,533	2,057	5,625
At 1 January 2016, net of accumulated depreciation	1,035	2,533	2,057	5,625
Additions	1,235	807	–	2,042
Depreciation	(803)	(1,009)	(449)	(2,261)
Disposal	–	(12)	–	(12)
Exchange realignment	(53)	(100)	(113)	(266)
At 31 December 2016, net of accumulated depreciation	1,414	2,219	1,495	5,128
At 31 December 2016:				
Cost	6,040	11,975	2,543	20,558
Accumulated depreciation	(4,626)	(9,756)	(1,048)	(15,430)
Net carrying amount	1,414	2,219	1,495	5,128

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13. PROPERTY AND EQUIPMENT (Continued)

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2015				
At 31 December 2014, and at 1 January 2015:				
Cost	4,304	12,520	3,957	20,781
Accumulated depreciation	(3,225)	(9,202)	(2,527)	(14,954)
Net carrying amount	1,079	3,318	1,430	5,827
At 1 January 2015, net of accumulated depreciation	1,079	3,318	1,430	5,827
Additions	1,045	824	1,795	3,664
Depreciation	(1,029)	(1,456)	(578)	(3,063)
Disposal	–	(17)	(482)	(499)
Exchange realignment	(60)	(136)	(108)	(304)
At 31 December 2015, net of accumulated depreciation	1,035	2,533	2,057	5,625
At 31 December 2015:				
Cost	5,103	12,073	2,693	19,869
Accumulated depreciation	(4,068)	(9,540)	(636)	(14,244)
Net carrying amount	1,035	2,533	2,057	5,625

The net carrying amount of the Group's fixed assets held under a finance lease included in the total amount of motor vehicles at 31 December 2016 was nil (2015: HK$886,000) (note 25).

At 31 December 2016, no motor vehicles of the Group were pledged to secure the other loan (2015: approximately HK$705,000) (note 25).

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14. GOODWILL

	HK$'000
At 1 January and 31 December 2015	
Cost	3,111
Cost and net carrying amount at 1 January 2016	3,111
Impairment during the year	–
At 31 December 2016	
Cost	**3,111**
Net carrying amount	**3,111**

IMPAIRMENT TESTING OF GOODWILL

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 14% (2015: 14%).

The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the ten year period is 0%. The management believes that this growth rate is conservative and reliable for the purpose of this impairment testing.

KEY ASSUMPTIONS USED IN THE VALUE IN USE CALCULATION

The following describes the key assumptions of the cash flow projections.

Revenue: The bases used to determine the future earnings potential are historical sales and average and expected growth rates of the landscape design in Mainland China and Hong Kong.

Gross margins: The gross margins are based on the average gross margin achieved in the past year.

Expenses: The value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.

Discount rate: The discount rate used is before tax and reflects management's estimate of the risks specific to the unit. In determining the appropriate discount rate for the unit, regard has been given to the applicable borrowing rate of the Group in the current year.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

With regard to the assessment of the value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to exceed the recoverable amount.

15. INTANGIBLE ASSETS

31 December 2016

	Software HK$'000
Cost at 1 January 2016, net of accumulated amortisation	**5,555**
Additions	**341**
Amortisation provided during the year	**(1,641)**
Exchange realignment	**(279)**
At 31 December 2016	**3,976**
At 31 December 2016	
Cost	**11,086**
Accumulated amortisation	**(7,110)**
Net carrying amount	**3,976**

31 December 2015

	Software HK$'000
Cost at 1 January 2015, net of accumulated amortisation	4,034
Additions	3,407
Amortisation provided during the year	(1,606)
Exchange realignment	(280)
At 31 December 2015	5,555
At 31 December 2015	
Cost	11,378
Accumulated amortisation	(5,823)
Net carrying amount	5,555

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16. INVESTMENTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	–	4,277

The Group's other receivable balance due from the joint ventures and loan to a joint venture are disclosed in note 20 to the financial statements.

The Group's other payable balance due to the joint venture is disclosed in note 24 to the financial statements.

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held/ paid-up capital	Place of registration and business	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Earthasia Worldwide Holdings Limited ("EA Trading")	Issued shares of HK$100	Hong Kong	30	50	30	Trading business
Earthasia International (Japan) Limited ("Japan Trading")	Issued shares of JPY50,000,000	Japan	30	50	30	Trading business
青島泰迪農場旅遊有限公司 (Qingdao Teddy Farm Tourism Co., Ltd#) ("Qingdao Teddy")	Registered capital of RMB10,000,000	Mainland China	51	60	51	Operating a theme park facility in Mainland China
Earthasia Farm Limited* ("EA Farm")	Issued shares of HK$100	Hong Kong	30	50	30	Dormant
蘇州吉盛謙國際貿易有限公司* ("Suzhou Jishengqian International Trade Co., Ltd"#) ("Jishengqian")	Issued shares of RMB10,000,000	Mainland China	30	50	30	Dormant

16. INVESTMENTS IN JOINT VENTURES (Continued)

The above investments are indirectly held by the Company.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies do not register any official English names.

* EA Farm and its 100% subsidiary, Jishengqian were former subsidiaries of the Company and were disposed of to EA Trading in August 2016. Accordingly, EA Farm and its subsidiary were accounted for as joint ventures thereafter.

EA Trading which is considered a material joint venture of the Group, operates its trading business in Hong Kong and is accounted for using the equity method.

Sudi, which was considered a material joint venture of the Group up to April 2016, operates a theme park in Mainland China and is accounted for using the equity method, and thereafter became an associate of the Group (note 17).

The following table illustrates the summarised financial information in respect of EA Trading and Sudi adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

2016	Sudi HK$'000	EA Trading HK$'000
Cash and cash equivalents	–	92
Other current assets	–	12,074
Current assets	–	12,166
Non-current assets	–	86
Current liabilities	–	14,016
Deficiency in assets	–	(1,764)
Reconciliation to the Group's interests in the joint venture:		
Proportion of the Group's ownership	23%*	30%
Carrying amount of the investments	–	–
Revenue	1,055	58,651
Interest expense	–	(3,747)
Loss for the year	(2,149)	(2,818)
Other comprehensive income	–	357
Profit and total comprehensive income for the year	(2,149)	(2,461)

* Being the effective interest in Sudi owned by the Group.

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16. INVESTMENTS IN JOINT VENTURES (Continued)

2015	Teddy HK$'000	EA Trading HK$'000
Cash and cash equivalents	5,772	395
Other current assets	886	10,238
Current assets	6,658	10,633
Non-current assets	6,787	–
Current liabilities	(2,932)	(9,934)
Net assets	10,513	699
Reconciliation to the Group's interests in the joint ventures:		
Proportion of the Group's ownership	45%	30%
Carrying amount of the investments	4,068	209
Revenue	382	6,556
Profit/(loss) and total comprehensive income/(loss) for the year	(3,342)	695

The Group has discontinued the recognition of its share of losses of joint venture EA Trading and Japan Trading, because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses and other comprehensive income of EA Trading and Japan Trading for the current year were HK$530,000 (2015: nil.) and HK$84,000 (2015: nil), respectively.

17. INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets		
At cost	**9,033**	–
Exchange alignment	**(561)**	–
	8,472	–

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17. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held/ paid-up capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
上海泰迪朋友投資管理有限公司 (Shanghai Teddy Friends Investment Management Limited#) ("Teddy")	Registered capital of RMB27,000,000	Mainland China	45	45	45	Investment holding
蘇州蘇迪投資發展有限公司 (Suzhou Sudi Investment and Development Limited#) ("Sudi")	Registered capital of RMB28,000,000	Mainland China	23	23	23	Operating a theme park facility in Mainland China

Teddy and its wholly-owned subsidiary, Sudi, were joint ventures of the Company in 2015. The Group contributed additional capital to Teddy during the year. The articles of association of Teddy was thereafter changed that the Groups is unable to jointly control Teddy because of the change in the composition of directors in the board of directors. Teddy and Sudi were accounted for as associates thereafter.

The above investments are indirectly held by the Company.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies do not register any official English names.

Sudi, which is considered a material joint venture of the Group, operates a theme park in Mainland China and is accounted for using the equity method.

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17. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information in respect of Sudi, adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 HK$'000
Cash and cash equivalents	1,176
Other current assets	2,865
Current assets	4,041
Non-current assets	27,306
Current liabilities	8,985
Net assets	22,362
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	23%
Carrying amount of the investment	5,143
Revenue	7,153
Loss and total comprehensive loss for the year	(5,054)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2016 HK$'000
Share of the associates' loss for the year	(580)
Share of the associates' total comprehensive loss	(580)
Aggregate carrying amount of the Group's investments in the associates	3,329

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18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Current:		
Bank structure product, at cost	–	23,864

	2016 HK$'000	2015 HK$'000
Non-current:		
Unlisted equity investment		
At cost	**2,864**	2,864
Exchange alignment	**(185)**	–
	2,679	2,864

The above investment consists of an investment in equity securities which was designated as an available-for-sale financial asset and has no fixed maturity dates or coupon rates.

The unlisted equity investment is an equity interest in 深圳市前海邦你貸互聯網金融服務有限公司 ("Lendbang"), a subsidiary of 廣州普邦園林股份有限公司 ("Pubang") which is a shareholder of the Company.

As at 31 December 2016, the unlisted equity investment was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

The Group does not intend to dispose of the unlisted equity investment within one year.

19. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade and bills receivables	**79,972**	73,084
Impairment	**(22,578)**	(16,326)
	57,394	56,758

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19. TRADE AND BILLS RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is two months, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables were amounts billed of HK$43,253,000 (2015: HK$46,817,000) and billable of HK$36,719,000 (2015: HK$26,267,000).

An aged analysis of the trade and bills receivables at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	2016 HK$'000	2015 HK$'000
Within 6 months	**34,332**	40,980
Over 6 months but within 1 year	**12,235**	8,596
Over 1 year but within 2 years	**6,786**	6,177
Over 2 years	**4,041**	1,005
	57,394	56,758

The movements in provision for impairment of trade and bills receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**16,326**	13,055
Impairment losses recognised (note 6)	**7,628**	4,170
Exchange alignment	**(1,376)**	(899)
At 31 December	**22,578**	16,326

Included in the above provision for the impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$20,695,000 (2015: HK$15,404,000) with a carrying amount before provision of HK$20,695,000 (2015: HK$15,404,000).

19. TRADE AND BILLS RECEIVABLES (Continued)

The individually impaired trade and bills receivables relate to customers that were in financial difficulties or were in default payments and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**22,974**	31,273
Less than 30 days past due	**3,242**	2,324
30 to 120 days past due	**4,964**	5,687
121 to 300 days past due	**–**	3,172
Over 300 days past due	**–**	2,056
	31,180	44,512

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade and bills receivables was nil amount due from the Group's joint venture (2015: HK$71,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Current:		
Prepayments	**2,682**	1,834
Deposits and other receivables	**14,400**	17,460
Loan to a joint venture (note 37)	**–**	4,000
Impairment	**(316)**	(280)
	16,766	23,014
Non-current:		
Prepayments	**–**	162
Deposits	**2,762**	726
	2,762	888
Total	**19,528**	23,902

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**280**	111
Impairment during the year (note 6)	**57**	182
Exchange alignment	**(21)**	(13)
At 31 December	**316**	280

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in the Group's deposits and other receivables are an amount due from a joint venture of HK$162,000 (2015: HK$19,000) and an amount due from Pubang of HK$79,000 (2015: Nil) which have no fixed terms of repayment and are interest-free and unsecured.

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21. GROSS AMOUNT DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2016 HK$'000	2015 HK$'000
Gross amount due from customers for contract work	**56,960**	64,624
Gross amount due to customers for contract work	**(13,398)**	(17,356)
	43,562	47,268
Contract costs incurred plus recognised profits less recognised losses to date	**424,980**	544,600
Less: Progress billings	**(381,418)**	(497,332)
	43,562	47,268

Included in the amounts due from customers for contract work is an amount of HK$8,718,000 (2015: HK$6,175,000), net of provision of HK$2,729,000 (2015: HK$2,917,000), with Pubang for services rendered by the Group. The provision was made due to the termination of certain service contracts.

22. CASH AND BANK BALANCES AND PLEDGED DEPOSIT

	Notes	2016 HK$'000	2015 HK$'000
Cash and bank balances		**70,085**	75,986
Time deposits		**–**	48,819
		70,085	124,805
Less: Pledged time deposit			
Pledged for a bank loan	25	**–**	30,000
Cash and bank balances		**70,085**	94,805

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22. CASH AND BANK BALANCES AND PLEDGED DEPOSIT (Continued)

The Group's cash and bank balances were denominated in HK$ at the end of the reporting period, except for the following:

	2016		2015	
	Original currency in'000	**HK$ equivalent in'000**	Original currency in'000	HK$ equivalent in'000
Cash and bank balances:				
Renminbi ("RMB")	**38,988**	**43,518**	54,601	65,160
Philippines Peso	**1,817**	**609**	2,207	363
USD Dollar	**33**	**255**	1,519	11,772

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposit are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year	**4,523**	2,955
Over 1 year but within 2 years	**518**	171
Over 2 years but within 3 years	**6**	–
Over 3 years	**52**	498
	5,099	3,624

The trade payables are non-interest-bearing and are normally settled within three months.

Included in the Group's trade payables is an amount due to Pubang of HK$1,007,000 (2015: HK$1,166,000).

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24. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	**14,561**	28,186
Accruals	**–**	2,063
Due to a director (note 37)	**–**	81
Due to a joint venture (note 37)	**4**	28
	14,565	30,358

Other payables are non-interest-bearing and have an average term of three months.

The amounts due to a director and a joint venture are unsecured, interest-free and repayable on demand.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015		
	Effective interest rate (%)	Maturity	HK$'000
Current			
Finance lease payables (note 26)	12.63	2016	319
Bank loan – secured	1.89 – 1.96	2016	30,000
Secured other loan	–	2016	325
			30,644
Non-current			
Finance lease payables (note 26)	12.63	2017	299
			299
			30,943

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25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2015 HK$'000
Analysed into:	
Bank loan repayable: On demand	30,000
	30,000
Other borrowings repayable:	
Within one year	644
In the second year	299
	943
	30,943

Notes:

(a) The Group's bank loan was secured by the pledge of certain of the Group's time deposit amounting to HK$30,000,000 as at 31 December 2015. The Group repaid the loan in January 2016.

The Group's bank loan bore interest at 1.7% per annum over the Hong Kong Inter Bank Offered Rate or the interest rate of supporting deposit plus 1% per annum, whichever was higher.

The carrying amount of the bank loan approximated to its fair value.

(b) The Group's other loan was interest-free and repayable by 12 monthly equal instalments commencing on 9 July 2015 and was secured by a mortgage over a motor vehicle of the Group with a carrying value at 31 December 2015 of HK$705,000. The Group repaid the other loan in July 2016.

(c) The Group's finance lease payables were secured by a mortgage over a motor vehicle of the Group, with a carrying value at 31 December 2015 of HK$886,000, and guaranteed by Ming Tian, a director of the Company. The Group repaid the finance lease in advance in May 2016.

(d) Except for the other loan and finance lease payables which were denominated in Renminbi, other borrowings were denominated Hong Kong dollars.

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26. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicle for its business. That lease is classified as a finance lease.

At 31 December 2016 and 2015, the total future minimum lease payment under the finance lease and its present value was as follows:

	Minimum lease payments 2016 HK$'000	Minimum lease payments 2015 HK$'000	**Present value of minimum lease payments 2016 HK$'000**	Present value of minimum lease payments 2015 HK$'000
Amounts payable:				
Within one year	–	380	–	319
In the second year	–	327	–	299
Total minimum finance lease payments	–	707	–	618
Future finance charges	–	(89)		
Total net finance lease payables	–	618		
Portion classified as current liabilities (note 25)	–	(319)		
Non-current portion (note 25)	–	299		

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27. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities during the year are as follows:

DEFERRED TAX ASSETS

	2016 HK$'000	2015 HK$'000
At 1 January	**5,289**	4,281
Credited to the statement of profit or loss during the year	**2,201**	1,303
Exchange realignment	**(439)**	(295)
At 31 December	**7,051**	5,289

DEFERRED TAX LIABILITIES

	2016 HK$'000	2015 HK$'000
At 1 January	**4,592**	2,197
(Credited)/charged to the statement of profit or loss during the year	**(1,314)**	2,395
At 31 December	**3,278**	4,592

DEFERRED TAX ASSETS

	Accruals HK$'000	Depreciation HK$'000	Impairment provision HK$'000	Total HK$'000
At 1 January 2015	9	–	4,272	4,281
Credited to the statement of profit or loss	162	50	1,091	1,303
Exchange realignment	(6)	(2)	(287)	(295)
At 31 December 2015 and 1 January 2016	**165**	**48**	**5,076**	**5,289**
Credited to the statement of profit or loss	**106**	**34**	**2,061**	**2,201**
Exchange realignment	**(15)**	**(4)**	**(420)**	**(439)**
At 31 December 2016	**256**	**78**	**6,717**	**7,051**

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27. DEFERRED TAX (Continued)

DEFERRED TAX LIABILITIES

	Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries HK$'000
At 1 January 2015	2,197
Charged to the statement of profit or loss during the year	2,395
At 31 December 2015 and 1 January 2016	**4,592**
Credited to the statement of profit or loss during the year	**(1,314)**
At 31 December 2016	**3,278**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is liable for withholding taxes of 5% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the following items:

	2016 HK$'000	2015 HK$'000
Tax losses	**3,028**	1,873
Deductible temporary differences	**925**	804
	3,953	2,677

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27. DEFERRED TAX (Continued)

DEFERRED TAX LIABILITIES (Continued)

The Group has tax losses arising in Mainland China of HK$10,967,500 (2015: HK$6,994,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in Hong Kong of HK$1,732,000 (2015: HK$764,000) for offsetting against future taxable profits indefinitely. Deferred tax assets have not been recognised in respect of these losses and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

The Group has deductible temporary differences of HK$3,700,000 (2015: HK$3,216,000) that will expire for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these deductible temporary differences as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

28. DEFINED BENEFIT OBLIGATIONS

EAM operates an unfunded defined benefit plan for all its qualifying employees in the Philippines. Under the plan, the employees are entitled to retirement benefits of a one-half month salary for every year of Credited Service on attainment of a retirement age of 60.

EAM's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The present value of the defined benefit obligations were carried out on 31 December 2016 by Institutional Synergy, Inc., using the projected unit credit actuarial cost method. Institutional Synergy Inc. is a management consulting firm specializing in actuarial services with their report signed by a fellow member of the Actuarial Society of the Philippines.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2016	2015
Discount rate (%)	**5.72**	5.19
Expected rate of future pension cost increases (%)	**10.00**	10.00

28. DEFINED BENEFIT OBLIGATIONS (Continued)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in defined benefit obligations HK$'000	Decrease in rate %	Increase/ (decrease) in defined benefit obligations HK$'000
2016:				
Discount rate	**1**	**(103)**	**1**	**127**
Future salary increase	**1**	**130**	**1**	**(108)**
Future pension cost increase	**1**	**–**	**1**	**–**

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2016 HK$'000	2015 HK$'000
Current service cost	**106**	105
Interest cost	**21**	–
Past service cost	**–**	313
Net benefit expenses	**127**	418
Recognised in administrative expenses (note 6)	**127**	418

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28. DEFINED BENEFIT OBLIGATIONS (Continued)

The movements in the present value of the defined benefit obligations are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**418**	–
Translation adjustment	**(13)**	–
Current service cost	**106**	105
Interest cost	**21**	–
Past service cost	**–**	313
Actuarial losses on obligation:		
Experience adjustments	**41**	–
Changes in assumptions	**107**	–
	680	418

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2016

		Pension cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	1 January 2016 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Translation Adjustment HK'000	31 December 2016 HK$'000
Defined benefit obligations	405	106	21	127	-	-	-	107	41	148	(34)	646
Benefit liability	405	106	21	127	-	-	-	107	41	148	(34)	646

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28. DEFINED BENEFIT OBLIGATIONS (Continued)

2015

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income						
	1 January 2015 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Translation Adjustment HK'000	31 December 2015 HK$'000
Defined benefit obligations	–	418	–	418	–	–	–	–	–	–	(13)	405
Benefit liability	–	418	–	418	–	–	–	–	–	–	(13)	405

Expected contributions to the defined benefit plan in future years are as follows:

	2016 HK$'000	2015 HK$'000
Within the next 12 months	–	–
Between 2 and 5 years	–	–
Between 5 and 10 years	**73**	75
Over 10 years	**10,834**	6,440
Total expected payments	**10,907**	6,515

The average duration of the defined benefit obligations at the end of the reporting period is approximately 22 (2015: 21) years.

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29. SHARE CAPITAL AND TREASURY SHARES

SHARES

	2016	2015
	HK$'000	HK$'000
Issued and fully paid		
420,000,000 (2015: 420,000,000) ordinary shares	**4,200**	4,200

A summary of movements in the Company's share capital is as follows:

	Number of issued and fully paid shares	**Nominal value of shares**	**Share premium account**
		HK$'000	HK$'000
As at 1 January 2015	400,000,000	4,000	119,384
Issue of new shares (note (a))	20,000,000	200	20,800
Share issue expenses	–	–	(737)
As at 31 December 2015 and 1 January 2016	**420,000,000**	**4,200**	**139,447**
As at 31 December 2016	**420,000,000**	**4,200**	**139,447**

Note:

(a) On 10 July 2015, the Company placed an aggregate of 20,000,000 ordinary shares of the Company of HK$0.01 each for a total consideration of HK$21,000,000, before share issue expenses. The consideration received in excess of the par value of these placed shares of approximately HK$20,800,000 was credited to the share premium account.

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29. SHARE CAPITAL AND TREASURY SHARES (Continued)

TREASURY SHARES

A summary of movements in the Company's treasury shares is as follows:

	Number of issued and fully paid shares	Nominal value of shares HK$'000	Share premium account HK$'000
As at 1 January 2015	(15,694,000)	(157)	(16,056)
Repurchase of ordinary shares (note (b))	(136,000)	(1)	(108)
Granting of shares under the share award scheme (note (c))	1,878,249	18	2,116
As at 31 December 2015 and 1 January 2016	**(13,951,751)**	**(140)**	**(14,048)**
Repurchase of ordinary shares (note (d))	**(3,770,000)**	**(37)**	**(4,720)**
Granting of shares under the share award scheme (note (e))	**8,872,476**	**89**	**9,754**
As at 31 December 2016	**(8,849,275)**	**(88)**	**(9,014)**

Notes:

(b) On 5 January 2015, 6 January 2015 and 7 January 2015, the Company repurchased a total of 136,000 ordinary shares of the Company of HK$0.01 each at a total consideration of HK$109,000. The consideration paid in excess of the par value of these repurchased shares of approximately HK$108,000 was debited to the share premium account. The repurchased shares had not been cancelled and would be granted to eligible persons under a share award scheme of the Company. Further details are set out in notes 29 (c), (d) and (e).

(c) On 16 January 2015, the Group granted an aggregate of 3,353,000 shares of the Company to 330 employees for nil consideration pursuant to the share award scheme of the Company set up on 21 August 2014. Among the shares, the vesting date of a total of 2,123,000 shares was on 16 January 2016 and the vesting date of a total of 1,230,000 shares was on 16 January 2015. The fair value of 2,123,000 shares at the grant date was HK$1,783,000 (HK$0.84 each), of which the Group recognised a share award plan reserve of HK$785,000 during the year ended 31 December 2015. The fair value of 1,230,000 shares at grant date was HK$1,033,000 (HK$0.84 each). The fair value in excess of the par value of these shares of approximately HK$1,021,000 was credited to the share premium account. On 22 July 2015, the Group granted an aggregate of 648,249 shares of the Company to 5 employees for nil consideration pursuant to the share award scheme and the vesting date was on 22 July 2015. The fair value of the 648,249 shares at grant date was HK$1,102,000 (HK$1.70 each). The fair value in excess of the par value of these shares of approximately HK$1,095,000 was credited to the share premium account.

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29. SHARE CAPITAL AND TREASURY SHARES (Continued)

TREASURY SHARES (Continued)

Notes: (Continued)

(d) On 17 May 2016, 18 May 2016, 19 May 2016 and 23 June 2016, the Company repurchased a total of 3,770,000 ordinary shares of the Company of HK$0.01 each at a total consideration of HK$4,757,000. The consideration paid in excess of the par value of these repurchased shares of approximately HK$4,720,000 was debited to the share premium account. The repurchased shares have not been cancelled and would be granted to eligible persons under a share award scheme of the Company. Further details are set out in note 29 (e).

(e) On 16 January 2016, a total of 2,046,000 shares granted on 16 January 2015 vested and issued to the Eligible Person (as defined hereinafter). The accumulated share award plan reserve recognised in excess of the par value of these shares of approximately HK$1,699,000 was credited to the share premium account. On 31 March 2016, the Group granted an aggregate of 6,826,476 shares of the Company to the Eligible Person pursuant to the share award scheme of the Company. Among the shares, a total of 1,626,476 shares were granted to employees for nil consideration and a total of 5,200,000 shares were granted to three eligible consultants to the Group at a consideration of HK$4,451,000 (HK$0.856 per share). The vesting date of the total 6,826,476 shares was 31 March 2016. The fair value of the 6,826,476 shares at grant date was HK$8,124,000 (HK$1.19 each). The fair value in excess of the par value of these shares of approximately HK$8,055,000 was credited to the share premium account.

SHARE AWARD SCHEME

On 21 August 2014, the Company adopted a share award scheme. The specific objectives of the share award scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the board of directors of the Company (the "Board") pursuant to the rules of the share award scheme (the "Scheme Rules"), the share award scheme shall be valid and effective for a term of 10 years commencing on the 21 August 2014.

The share award scheme shall be subject to the administration of the Company's board of directors (the "Board") and the trustee in accordance with the Scheme Rules and the trust deed as appointed by the Company. The trustee shall hold the trust fund in accordance with the terms of the trust deed.

The board of directors may from time to time cause to be paid the fund to the trust by way of settlement or otherwise contribution by the Company or any subsidiary as directed by the Board which shall constitute part of the trust fund, for the purchase of the Company's shares and other purposes set out in the Scheme Rules and the trust deed. Subject to the Scheme Rules, the Board may from time to time instruct the trustee in writing to purchase the Company's shares. Once purchased, the Company's shares are to be held by the trustee for the benefit of employees under the trust on and subject to the terms and conditions of the share award scheme and the trust deed. On each occasion, when the Board instructs the trustee to purchase the Company's shares, it shall specify the maximum amount of funds to be used and the range of prices at which such shares of the Company are to be purchased. The trustee may not incur more than the maximum amount of funds or purchase any shares of the Company at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

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29. SHARE CAPITAL AND TREASURY SHARES (Continued)

SHARE AWARD SCHEME (Continued)

Subject to the provision of the share award scheme, the Board may, from time to time at its absolute discretion, select any eligible person who contributes to the success of the Group's operations ("Eligible Person") other than those excluded for participation in the share award scheme, and grant awarded shares to the selected Eligible Person at no consideration in a number and on terms and conditions as it may determine at its absolute discretion.

Subject to the terms and conditions of the share award scheme and the fulfilment of all vesting conditions to the vesting of the awarded shares on such selected Eligible Person as specified in the share award scheme and the grant notice, the respective awarded shares held by the trustee on behalf of the selected Eligible Person pursuant to the provision hereof shall vest to such selected Eligible Person in accordance with the vesting schedule (if any) as set out in the grant notice, and the trustee shall cause the awarded shares to be transferred to such selected Eligible Person on the vesting date.

Prior to the vesting date, any award made pursuant to the share award scheme shall be personal to the selected Eligible Person to whom it is made and shall not be assignable and no selected Eligible Person shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the awarded shares referable to him/her pursuant to such award.

The Board may at its discretion, with or without further conditions, grant additional shares of the Company or cash award out of the trust fund representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds from sales of non-cash and non-scrip distributions, bonus shares and scrip dividends) declared by the Company or derived from such awarded shares during the period from the date of award to the vesting date to a selected Eligible Person upon the vesting of any awarded shares.

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30. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by the Company on 3 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and the Share Option Scheme became effective on 25 June 2014. Eligible participants of the Share Option Scheme are the directors, including independent non-executive directors, of the Company and any entity in which the Group holds at least 20% of its shares (the "Invested Entity"), other employees of the Group or the Invested Entity, suppliers of goods or services to the Group or the Invested Entity, customers of the Group or the Invested Entity, person that provides technological support to the Group or the Invested Entity, shareholders of the Group or the Invested Entity, holders of any securities issued by the Group or the Invested Entity, advisor or consultant to the Group or the Invested Entity, and any non-controlling shareholder in the Company's subsidiaries.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors which shall not exceed ten years from the offer date subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares as stated in the stock exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the shares on the offer date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

30. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Share Option Scheme during the year:

	2016	
	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	–	–
Granted during the year	**1.27**	**14,290**
At 31 December	**1.27**	**14,290**

No share options were exercised in 2016.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016

Number of options '000	Exercise price* HK$ per share	Exercise period
7,145	**1.27**	**4 January 2016 to 3 January 2018**
7,145	**1.27**	**4 January 2017 to 3 January 2018**
14,290		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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30. SHARE OPTION SCHEME (Continued)

On 4 January 2016, 14,290,000 share options were granted to directors and an employee under the Share Option Scheme. The exercise price of the options was HK$1.27. The first 50% portion of these share options granted vested on 4 January 2016 with an exercise period from 4 January 2016 to 3 January 2018. The second 50% portion of these share options will be vested on 4 January 2017 with an exercise period from 4 January 2017 to 3 January 2018. The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the year ended 31 December 2016 was estimated on the date of grant using the following assumptions:

	First 50% portion		Second 50% portion	
	Directors	**Employee**	**Directors**	**Employee**
Dividend yield (%)	4.76	4.76	4.76	4.76
Expected volatility (%)	67.23	67.23	67.23	67.23
Risk-free interest rate (%)	0.51	0.51	0.51	0.51
Exercise multiple	2.47	2.47	1.60	1.60
Fair value of the share options (HK$ per share)	0.40	0.35	0.41	0.39

The fair value of the share options granted during the year ended 31 December 2016 was HK$5,752,000. The Group recognised a share option expense of HK$5,721,000 (2015: Nil) in the statement of profit or loss in 2016.

Since the historical option exercise pattern is not available, a common early exercise pattern has been assumed in this valuation by applying an exercise multiple for directors and employees. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 14,290,000 share options outstanding under the Share Option Scheme, which represented approximately 3.4% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 14,290,000 additional ordinary shares of the Company for a total cash proceeds of HK$18,148,000 (before share issue expenses).

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31. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 63 to 64 of the financial statements.

RESERVE FUND

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, each of the subsidiaries registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages. The Group has no statutory reserve while the PRC subsidiaries are losses in this year.

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2015
Percentage of equity interest held by non-controlling interests:	
EAXM*	25%

	2015 HK$'000
Loss for the year allocated to non-controlling interests:	
EAXM	(1,160)
Accumulated balance of non-controlling interests at the reporting date:	
EAXM*	575

* The Group acquired the remaining 25% of equity interests in during the year, and there were no material non-controlling interests in 2016.

Notes to Financial Statements

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32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

EAXM.

	2015
	HK$'000
Revenue	2,721
Total expenses	(7,361)
Loss for the year	(4,640)
Total comprehensive loss for the year	(4,640)
Current assets	4,869
Non-current assets	689
Current liabilities	(3,259)
Net cash flows used in operating activities	(481)
Net cash flows used in investing activities	(530)
Net cash flows used in financing activities	–
Net decrease in cash and cash equivalents	(1,011)

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33. DISPOSAL OF SUBSIDIARIES

	2016 HK$'000
Net assets disposed of:	
Gross amount due from customers for contract work	11
Cash and bank balances	3
Trade receivables	28
Prepayments and other receivables	3
Trade payables	(22)
Accruals and other payables	(158)
Non-controlling interests	42
	(93)
Gain on disposal of subsidiaries (note 5)	222
	129

	2016 HK$'000
Satisfied by:	
Other receivable	129

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2016 HK$'000
Cash consideration	–
Cash and bank balances disposed of	(3)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(3)

Notes to Financial Statements

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34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

MAJOR NON-CASH TRANSACTIONS

During 2015, the Group entered into a finance lease arrangement in respect of property and equipment with a total capital value at the inception of the lease of HK$1,031,000.

35. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in notes 22 and 25 to the financial statements.

36. OPERATING LEASE ARRANGEMENTS

AS LESSEE

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between one and five years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**12,996**	13,433
In the second to fifth years, inclusive	**13,299**	4,221
	26,295	17,654

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37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	2016 HK$'000	2015 HK$'000
Contract revenue from			
Pubang	(i)	**6,155**	1,537
Sudi	(ii)	**–**	1,378
Subcontracting and referral fee to			
Pubang	(i)	**817**	1,205
Purchases of goods from			
Sudi	(iii)	**–**	28
Purchase of a software licence from			
Andross Chan	(iv)	**–**	2,282
Rental expenses to directors:	(v)		
Andross Chan		**477**	503
Ming Tian		**210**	222
Loan to			
EA Trading	(vi)	**31,412**	4,000
Repayment of loan from			
EA Trading	(vi)	**35,412**	–
Interest income from			
EA Trading	(vi)	**3,447**	–
Capital injections to:			
Teddy	(vii)	**7,128**	–
Lendbang	(vii)	**–**	2,864
Disposal of subsidiaries to:			
EA Trading	(viii)	**28**	–
Non-controlling interests	(ix)	**101**	–
Acquisition of non-controlling interest from non-controlling shareholders	(x)	**3,349**	–
Payment of expenses on behalf of:			
Pubang		**79**	–
EA Trading		**162**	–

Notes to Financial Statements

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37. RELATED PARTY TRANSACTIONS (Continued)

(a) (continued)

Notes:

(i) The Company's subsidiary, Earthasia (Shanghai) Co., Ltd., entered into a framework sale agreement dated 30 July 2014 with Pubang, pursuant to which the Group has agreed that (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) all or part of its landscape projects that require landscape architecture services; and (ii) refer to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery); and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture. The Group's contract revenue derived from Pubang for the year ended 31 December 2016 amounted to HK$6,155,000 (2015: HK$1,537,000). The Group's subcontracting and referral fees to Pubang for the year ended 31 December 2016 amounted to HK$584,000 (2015: HK$955,000) and HK$233,000 (2015: HK$250,000), respectively.

The related party transactions with Pubang also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The Group entered into a landscape design agreement with Sudi to provide design services. The fee has been agreed mutually between the Group and Sudi.

(iii) The Group made purchases from Sudi of which the price had been agreed mutually between the Group and Sudi.

(iv) The Group entered into a software licence transfer agreement with Andross Chan on 30 April 2015 to access the right to use the software as developed by Andross Chan for five years from 30 April 2015 to 30 April 2020. The fee charged to the Group has been agreed mutually between the Group and Andross Chan.

(v) The Group entered into lease agreements with Andross Chan and Ming Tian to lease certain properties. The rents have been agreed mutually between the Group and these directors.

(vi) The Group granted a revolving loan in aggregate of HK$31,412,000 (2015: HK$4,000,000) during the year to EA Trading, a joint venture of the Group, to support its business operation with a one-year term which is unsecured and bears interest at 30% per annum. The revolving loan at all times with a balance did not exceed HK$14,000,000. The amount was fully repaid during the year 2016.

(vii) The Group injected capital in Teddy of RMB6.1 million for an equity interest of 45% in 2016 and in Lendbang of RMB2.4 million for an equity interest of 7.41% in 2015.

(viii) In August 2016, the Group entered into an agreement to dispose of its entire 100% equity interest in EA Farm and its subsidiary, Jishengqian, to EA Trading, a joint venture of the Group. The cash consideration was HK$28,000 and the transaction was completed on 30 August 2016. EA Farm was thereafter accounted for as an associate from that date onwards.

Notes to Financial Statements

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37. RELATED PARTY TRANSACTIONS (Continued)

(a) (continued)

Notes: (continued)

(ix) In June 2016, the Group entered into an agreement to dispose of its entire 55% equity interest in Earthasia Lightech Limited ("EA Light") and its subsidiary, 上海境亮燈光設計有限公司, to Great Glory Creation Ltd., a non-controlling shareholder of EA Light. The cash consideration was HK$40,000 and the transaction was completed on 21 June 2016.

In September 2016, the Group entered into an agreement to dispose of its entire 55% equity interest in Earthasia Watersource Limited ("EA Water") and its subsidiary, 上海水泉水處理科技有限公司,to JLJ Holdings Ltd., a non-controlling shareholder of EA Water. The cash consideration was HK$61,000 and the transaction was completed on 28 September 2016.

(x) On 30 November 2016, the Group acquired an additional 25% equity interest in EAXM for a cash consideration of RMB3,000,000 (equivalent to approximately HK$3,349,000) from the non-controlling shareholders.

(b) Other transaction with a related party:

The Group's finance lease payable was guaranteed by Ming Tian at nil consideration in 2015 (note 25 (c)).

(c) Outstanding balances with related parties:

(i) Details of the Group's trading balances with the Company's shareholder, Pubang, are included in notes 21 and 23 to the financial statements.

(ii) Details of the Group's loan to a joint venture are included in note 20 to the financial statements.

(iii) Details of the Group's trading balances with the joint ventures as at the end of the reporting period are disclosed in notes 19, 20 and 24 to the financial statements.

(iv) Details of the Group's balance with its director as at the end of the reporting period are disclosed in note 24 to the financial statements.

(v) Included in the Group's deposits and other receivables was an amount due from EA Trading of HK$162,000 (31 December 2015: HK$19,000), which was interest-free, unsecured and had no fixed terms of repayment.

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37. RELATED PARTY TRANSACTIONS (Continued)

(c) (continued)

(vi) Included in the Group's deposits and other receivables was an amount due from Pubang of HK$79,000 (31 December 2015: Nil), which was interest-free, unsecured and had no fixed terms of repayment.

(vii) Included in the Group's other payables and accruals were balances with the Company's joint venture of HK$4,000 (31 December 2015: HK$28,000).

(viii) Included in the Group's other payables and accruals were balances with the Group's directors of HK$81,000 on 31 December 2015.

(d) Compensation of key management personnel of the Group:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**11,785**	12,800
Pension scheme contributions	**208**	241
Equity-settled share award expenses	**131**	644
Equity-settled share option expenses	**5,721**	–
Total compensation paid to key management personnel	**17,845**	13,685

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

38. REMUNERATION OF SENIOR MANAGEMENT

Remuneration of senior management of the Group, including amounts paid to the highest paid employee other than directors as disclosed in note 9 is as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**2,578**	2,355
Pension scheme contributions	**86**	86
Equity-settled share award expenses	**131**	644
Equity-settled share option expenses	**368**	–
Total compensation paid to senior management personnel	**3,163**	3,085

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38. REMUNERATION OF SENIOR MANAGEMENT (Continued)

Remunerations of the senior management of the Group are within the following bands:

	Number of employees 2016	2015
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
	3	3

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	**–**	**2,679**	**2,679**
Trade and bills receivables	**57,394**	**–**	**57,394**
Financial assets included in prepayments, deposits and other receivables	**13,048**	**–**	**13,048**
Cash and bank balances	**70,085**	**–**	**70,085**
	140,527	**2,679**	**143,206**

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	**5,099**	**5,099**
Financial liabilities included in other payables and accruals	**14,565**	**14,565**
Dividends payable	**63**	**63**
	19,727	**19,727**

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39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2015

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	26,728	26,728
Trade and bills receivables	56,758	–	56,758
Financial assets included in prepayments, deposits and other receivables	18,077	–	18,077
Pledged deposit	30,000	–	30,000
Cash and bank balances	94,805	–	94,805
	199,640	26,728	226,368

Financial liabilities

	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	3,624	3,624
Financial liabilities included in other payables and accruals	30,358	30,358
Interest-bearing bank and other borrowings (note 25)	30,943	30,943
Dividends payable	108	108
	65,033	65,033

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Finance lease payable	–	618	–	642
	–	618	–	642

Management has assessed that the fair values of cash and bank balances, pledged deposit, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings other than finance lease payables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of finance lease payable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group had no finance lease payable on 31 December 2016.

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40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Finance lease payables	–	642	–	642
	–	642	–	642

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist mainly of available-for-sale investments, cash and bank balances, pledged deposit, deposits, dividends payable and interest-bearing bank and other borrowings. The main purpose of these financial instruments was to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

INTEREST RATE RISK

Since the interest-bearing bank borrowing with a floating interest rate has been repaid, there was no significant interest rate risk as at the end of the reporting period.

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from financial instruments such as trade and bills receivables and cash and bank balances by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB, USD or PHP exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK (Continued)

2016	Increase/ (decrease) in RMB, USD rate %	Increase/ (decrease) in loss before tax HK$'000
If the Hong Kong dollar weakens against the RMB	**5**	**(112)**
If the Hong Kong dollar strengthens against the RMB	**(5)**	**112**
If the Hong Kong dollar weakens against the USD	**5**	**(13)**
If the Hong Kong dollar strengthens against the USD	**(5)**	**13**

2015	Increase/ (decrease) in RMB, USD, PHP rate %	Increase/ (decrease) in profit before tax HK$'000
If the Hong Kong dollar weakens against the RMB	5	1,113
If the Hong Kong dollar strengthens against the RMB	(5)	(1,113)
If the Hong Kong dollar weakens against the USD	5	609
If the Hong Kong dollar strengthens against the USD	(5)	(609)
If the Hong Kong dollar weakens against the PHP	5	4
If the Hong Kong dollar strengthens against the PHP	(5)	(4)

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged deposit, financial assets include in prepayments, deposits and other receivables, trade and bills receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade and bills receivables are widely dispersed.

The Group performs ongoing credit evaluations of its customers' financial conditions. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and bills receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from receivables are disclosed in notes 19 and 20 to the financial statements.

LIQUIDITY RISK

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The tables below summarise the maturity profile of the Group's financial liabilities at the end of each reporting period based on contractual undiscounted payments.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK (Continued)

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group						
31 December 2016						
Trade payables	**5,099**	**–**	**–**	**–**	**–**	**5,099**
Other payables and accruals	**14,565**	**–**	**–**	**–**	**–**	**14,565**
Dividends payable	**63**	**–**	**–**	**–**	**–**	**63**
	19,727	**–**	**–**	**–**	**–**	**19,727**
31 December 2015						
Finance lease payables	–	95	285	327	–	707
Interest-bearing bank and other borrowings	–	30,161	186	–	–	30,347
Trade payables	3,624	–	–	–	–	3,624
Other payables and accruals	30,358	–	–	–	–	30,358
Dividends payable	108	–	–	–	–	108
	34,090	30,256	471	327	–	65,144

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is interest-bearing bank and other borrowings representing total debt divided by the total equity.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CAPITAL MANAGEMENT (Continued)

The gearing ratios as at the reporting periods were as follows:

	2016 HK$'000	2015 HK$'000
Interest-bearing bank and other borrowings (note 25)	–	30,943
Total equity	**171,189**	206,494
Gearing ratio	–	15.0%

42. EVENTS AFTER THE REPORTING PERIOD

(a) On 24 January 2017, the Company entered into the renewal agreement with EA Trading, pursuant to which the Group agreed to renew the revolving loan facility in the amount of HK$14,000,000 at a reduced interest rate of 15% per annum for a further 18 months from 24 January 2017 to 23 July 2018.

(b) On 14 March 2017, EASH and Pubang entered into the renewed cooperation agreement, pursuant to which (a) Pubang (or any of its subsidiaries) may (i) subcontract to EASH (or any of its subsidiaries) all or part of its landscape projects that requires landscape architecture services: and (ii) refer to EASH (or any of its subsidiaries) clients which require landscape architecture services; and (b) EASH (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery); and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to Landscape Architecture. This cooperation agreement covers a period of over 3 years up to the financial year ending 31 December 2019. The annual cap limit, representing the maximum aggregate subcontracting and referral fees by the parties in each of the years ending 31 December 2017, 2018, 2019 shall not exceed RMB5 million (or HK$5,615,000) and RMB3 million (or HK$3,369,000), respectively.

Notes to Financial Statements

31 December 2016

42. EVENTS AFTER THE REPORTING PERIOD (Continued)

(c) On 17 March 2017, a wholly-owned subsidiary of the Company, Yummy Holdings Limited entered into an agreement to acquire 51% issued share capital of Thai Gallery (HK) Limited from independent third party vendors with a consideration of RMB19,380,000 (equivalent to approximately HK$21,810,000).

Pursuant to the acquisition agreement, the aforesaid vendors agree to guarantee to the Company that the audited net profit after tax of Thai Gallery (HK) Limited for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not be less than RMB6,000,000 (equivalent to approximately HK$6,752,000), RMB7,000,000 (equivalent to approximately HK$7,878,000) and RMB8,000,000 (equivalent to approximately HK$9,003,000), respectively. In the event that the net profit after tax for any of the relevant financial years ending 31 December 2020 cannot be met, the vendors shall pay a compensation in cash. Further details are set out in the Company's announcement dated 19 March 2017.

The vendors granted an exclusion option to the Company, pursuant to which the Company has the exclusive right to acquire the remaining 49% shareholding interest in Thai Gallery (HK) Limited (or any part thereof) at a consideration to be calculated as agreed.

Thai Gallery (HK) Limited is in the course of establishing a subsidiary under the name of Thaihuan Catering Management (Shanghai) Company Limited ("Thaihuan"). Thaihuan shall enter into the catering management agreement with Shanghai Mo Nei Restaurant Limited ("Mo Nei"), another wholly-owned company of the vendors, pursuant to which Thaihuan shall provide to Mo Nei operating management service with a fixed management fee of RMB270,000 (equivalent to approximately HK$303,858) on a monthly basis plus performance bonus (if any) at the end of each year.

(d) On 27 March 2017, an indirectly wholly owned subsidiary of the Company entered into an agreement to disposal of all of its 45% equity invest in Teddy to an third party for a cash consideration of RMB17,804,700 (equivalent to approximately HK$20,089,043).

(e) On 29 March 2017, a wholly owned subsidiary of the Company, Shanghai Jingzhu Investment Management Company Limited entered into an agreement to acquire 51% equity interest in issued share capital of Suzhou Industrial Park Wenlvge Hotel Management Company Limited ("Wenlvge Hotel") from independent third party vendors with a consideration of RMB17,850,000 (equivalent to approximately HK$20,154,435).

Pursuant to the acquisition agreement, the aforesaid vendors jointly and severally agree to guarantee to the Company that the audited net profit after tax of Wenlvge Hotel for each of the three financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than RMB4,500,000 (equivalent to approximately HK$5,080,950). In the event that the net profit after tax for any of the relevant financial years ending 31 December 2020 cannot be met, the vendors shall pay a compensation in cash. Further details are set out in the Company's announcement dated 29 March 2017.

The vendors granted an exclusion option to the Company, pursuant to which the Company has the exclusive right to acquire the remaining 49% shareholding interest in Wenlvge Hotel (or any part thereof) at a consideration to be calculated as agreed.

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**16,962**	9,651
CURRENT ASSETS		
Prepayments and other receivables	**255**	4,287
Amounts due from subsidiaries	**77,878**	75,138
Pledged deposit	**–**	30,000
Cash and bank balances	**22,000**	26,554
Total current assets	**100,133**	135,979
CURRENT LIABILITIES		
Interest-bearing bank borrowing	**–**	30,000
Other payables and accruals	**80**	209
Amount due to a subsidiary	**–**	4,526
Dividend payable	**–**	108
Total current liabilities	**80**	34,843
NET CURRENT ASSETS	**100,053**	101,136
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	**117,015**	110,787
EQUITY		
Share capital	**4,200**	4,200
Treasury shares	**(88)**	(140)
Other reserves (note)	**112,903**	106,727
Total equity	**117,015**	110,787

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

Notes to Financial Statements

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43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's other reserves is as follows:

	Share premium account HK$'000	Share award reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Capital reserve HK$'000	Total HK$'000
Balance at 1 January 2015	103,328	–	–	(20,967)	5,854	88,215
Final 2014 dividend declared	–	–	–	(19,765)	–	(19,765)
Total comprehensive income for the year	–	–	–	14,545	–	14,545
Issue of shares (note 29)	20,800	–	–	–	–	20,800
Shares repurchased (note 29)	(108)	–	–	–	–	(108)
Share issue expenses (note 29)	(737)	–	–	–	–	(737)
Equity-settled share-based payments	2,116	1,661	–	–	–	3,777
At 31 December 2015	**125,399**	**1,661**	**–**	**(26,187)**	**5,854**	**106,727**
Final 2015 dividend declared	**–**	**–**	**–**	**(22,650)**	**–**	**(22,650)**
Total comprehensive income for the year	**–**	**–**	**–**	**19,732**	**–**	**19,732**
Treasury shares purchased	**(4,720)**	**–**	**–**	**–**	**–**	**(4,720)**
Equity-settled share-based payments	**9,754**	**(1,661)**	**–**	**–**	**–**	**8,093**
Equity-settled share option arrangements	**–**	**–**	**5,721**	**–**	**–**	**5,721**
At 31 December 2016	**130,433**	**–**	**5,721**	**(29,105)**	**5,854**	**112,903**

The Company's capital reserve represents the difference between the then share of net assets of EAI acquired over the par value of shares issued by the Company in consideration and in exchange for the entire share capital of EAI.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

Five-Year Financial Summary

	Year ended December 31				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**183,774**	237,703	241,365	217,048	172,045
Cost of sales	**(94,010)**	(110,636)	(113,108)	(97,790)	(88,036)
Gross Profit	**89,764**	127,067	128,257	119,258	84,369
Other income and gains	**11,298**	8,564	9,918	6,143	8,752
Selling and marketing expenses	**(8,509)**	(7,299)	(8,424)	(6,007)	(4,912)
Administrative expenses	**(85,220)**	(82,156)	(85,482)	(62,736)	(48,527)
Finance costs	**(48)**	(457)	(25)	(57)	(507)
Other expenses	**(15,136)**	(10,863)	(3,167)	(2,387)	(4,297)
Share of losses of joint ventures	**(702)**	(1,011)	–	–	–
Share of losses of associates	**(1,742)**	–	–	–	–
(Loss)/profit before tax	**(10,295)**	33,845	41,077	54,214	34,878
Income tax expense	**(583)**	(11,491)	(11,478)	(16,446)	(8,934)
(Loss)/profit for the period	**(10,878)**	22,354	29,599	37,768	25,944
Attributable to:					
Owners of the Company	**(9,365)**	23,527	28,020	37,893	25,944
Non-controlling interests	**(1,513)**	(1,173)	1,579	(125)	–
Other comprehensive (loss)/income	**(7,468)**	(7,813)	93	1,505	(24)
Total comprehensive (loss)/income for the period	**(18,494)**	14,541	29,692	39,273	25,920
Attributable to:					
Owners of the Company	**(17,011)**	15,781	28,103	39,400	25,920
Non-controlling interests	**(1,483)**	(1,240)	1,589	(127)	–
ASSETS AND LIABILITIES					
Non-current assets	**33,179**	27,609	19,525	12,827	11,049
Current assets	**201,205**	296,300	250,268	189,861	123,575
Total assets	**234,384**	323,909	269,793	202,688	134,624
Non-current liabilities	**3,924**	5,296	2,197	3,778	2,392
Current liabilities	**59,271**	112,119	79,828	113,004	70,802
Total liabilities	**63,195**	117,415	82,025	116,782	73,194
Net assets	**171,189**	206,494	187,768	85,906	61,430
Total equity attributable to owners of the Company	**171,197**	205,955	185,989	85,715	61,430