2014 Annual Report

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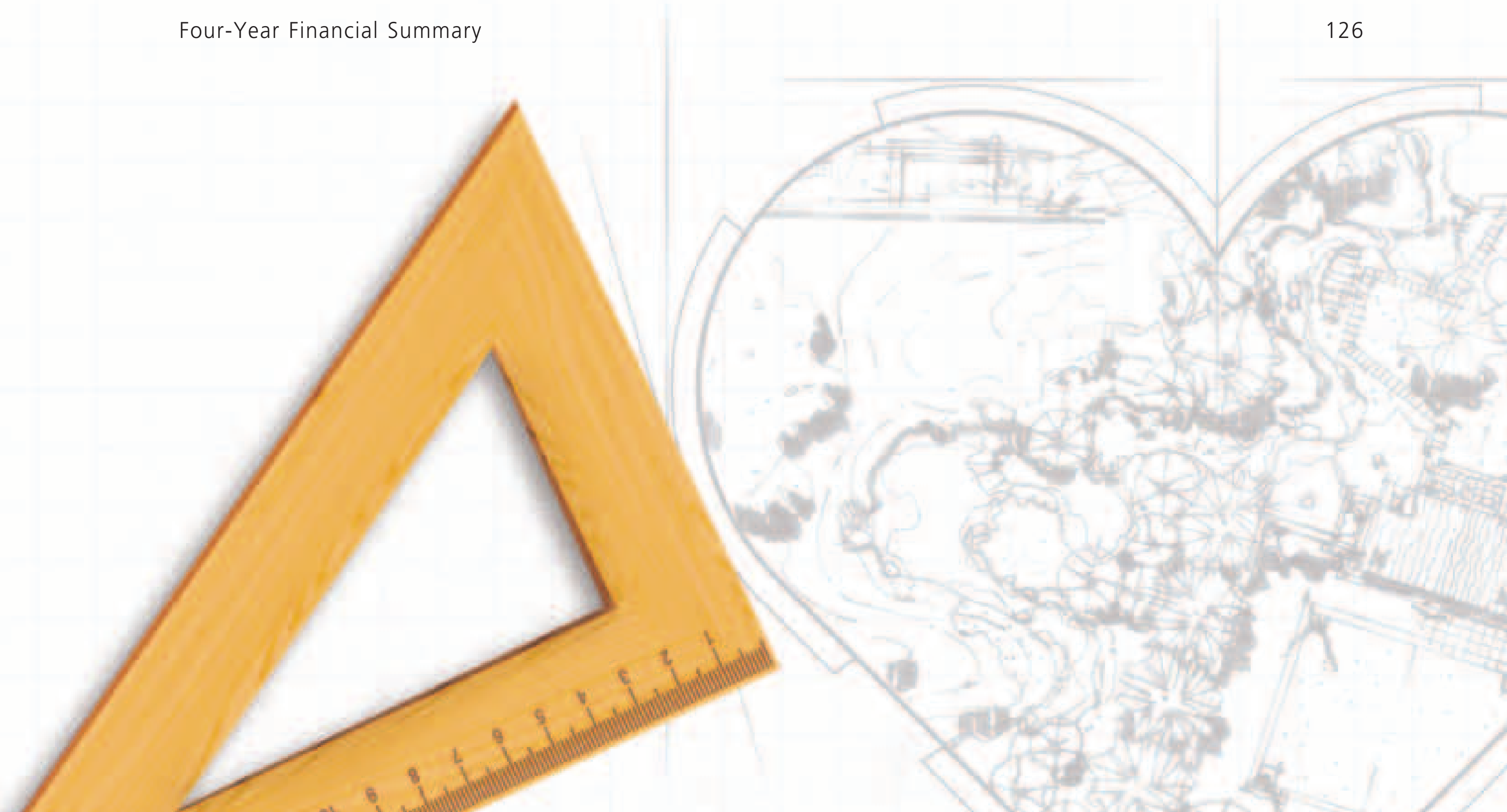
Earthasia International Holdings Limited
泛亞環境國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: **6128**

Contents



Financial Highlights

FINANCIAL HIGHLIGHTS

- Revenue increased to approximately HK$241.4 million for the year ended 31 December 2014, representing an increase of approximately 11.2%, as compared with that of approximately HK$217.0 million for the year ended 31 December 2013.

- Gross profit increased to approximately HK$128.3 million for the year ended 31 December 2014, representing an increase of approximately 7.5%, as compared with that of approximately HK$119.3 million for the year ended 31 December 2013.

- Profit attributable to owners of the Company decreased to approximately HK$28.0 million for the year ended 31 December 2014, representing a decrease of approximately 26.1%, as compared with that of approximately HK$37.9 million for the year ended 31 December 2013.

- Excluding the listing expenses of approximately HK$15.9 million, the net profit would be approximately HK$45.5 million for the year ended 31 December 2014, representing an increase of approximately 20.4%, as compared with that of approximately HK$37.8 million for the year ended 31 December 2013.

- Earnings per share attributable to owners of the Company decreased to approximately HK$8.1 cents for the year ended 31 December 2014, as compared with that of approximately HK$13.2 cents for the year ended 31 December 2013.

- Final dividend of HK5.1 cents per share is proposed for the year ended 31 December 2014 (2013: N/A), representing a dividend payout of approximately 70.5% of profit attributable to owners of the Company.

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

Room 1101-2
11/F, Top Glory 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

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia (China) Limited (Xujiahui Sub-Branch)
Industrial Bank Co., Ltd. (Shanghai South Bund Branch)
The Hongkong and Shanghai Banking Corporation Limited (Causeway Bay Branch)
The Bank of East Asia, Limited (Shek Tong Tsui Branch)
Bank of Communications Co., Ltd. (Hong Kong Branch)

PRINCIPAL SHARE REGISTRAR AND TRANSGER 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

Ch'ien Man 23, Beijing
北京前門23號

Ch'ien Men 23, Beijing
北京前門23號

Heyi Avenue Shopping Center, Ningbo
寧波和義大道購物中心

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 first annual report of the Group since the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 25 June 2014 (the "Listing").

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, Hong Kong and Philippines with over 500 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. The Listing marked a milestone of the Group and strengthened the capital base of the Group and established a platform for the Group to expand our business.

For the year ended 31 December 2014, the Group's revenue increased to approximately HK$241.4 million, representing an increase of approximately 11.2%, as compared with that of approximately HK$217.0 million for the year ended 31 December 2013. The gross profit increased to approximately HK$128.3 million, as compared with that of approximately HK$119.3 million during the same period in 2013. Profits attributable to owners of the Company decreased by approximately 26.1% to approximately HK$28.0 million, mainly due to the impact of one-off listing expenses incurred in 2014. Excluding the listing expenses of approximately HK$15.9 million, the net profit would be approximately HK$45.5 million for the year ended 31 December 2014, representing an increase of approximately 20.4%, as compared with that of approximately HK$37.8 million for the year ended 31 December 2013. The Board recommended a final dividend of 5.1 cents per share, or approximately HK$19.8 million for the year ended 31 December 2014, representing a dividend payout over 70%. The Group intends to keep this dividend policy.

The existing business provides stable and robust cash flow position to the Group. To consolidate the Group's leading position in landscape architecture, we will continue to increase our clientele base, expand our geographic coverage through set up of new branch and office. As of the date of this annual report, the location of our projects/clients covers every province in the PRC. During the year 2014, the Group incurred approximately HK$7.9 million as research and development costs in relation to urban greening system and technology. In October 2014, one of our subsidiaries was recognised as high and new technology enterprise in Shanghai. We believe with the aid of system and software, we can provide landscaping and environmental solutions to our clients in a more efficient and systematic way, and possibly attracting large-scale clients and municipal government. In terms of cost control and management system, the Group has been upgrading its management information system for better knowledge sharing, financial budgeting and resources management.

Beside organic growth strategy, the Group has been looking for merger and acquisition opportunity. In January 2015, the Group entered into a memorandum of understanding in relation to a potential acquisition of a landscape design and construction company which holds multiple qualifications in the PRC. The potential acquisition is still under negotiation and due diligence process. We believe the potential acquisition if materialised represents a good opportunity to widen the Group's scope of landscape services. At the same time, we will strengthen our specialised design and further devote resources into provision of waterscape, nightscape and signage business through strategic cooperation. In 2014, the Group jointly established Earthasia Waterscape Limited and Earthasia Lightech Limited with independent business partners. As of the date of this annual report, the Group has solicited business contract under Earthasia Lightech Limited.

Looking forward, the stable economy growth, growing urbanisation and government policy on promoting better environment in China are all driving factors to the landscape architecture service industry. The landscape architecture service industry (in particular landscape design) is still a rapid growing but fragmented market with over 6,000 players. The brand and reputation and the listing platform of the Group will continue to be a competitive edge of the Group to outperform in the market. While we pursue high growth in both revenue and profit, we will at the same time closely monitor our cash flow position to ensure a long-term sustainability can be achieved.

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, 15 April 2015

Hello Kitty Theme Park
凱蒂貓主題樂園

Management Discussion Analysis

Solana Blue Harbor, Beijing
北京Solana藍色港灣

Solana Blue Harbor, Beijing
北京Solana藍色港灣

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 since the Listing Date up to the date 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. During the year, the Group undertook and/or completed multiple reputational projects such as Hello Kitty theme park located in Zhejiang, the PRC, and Studio City in Macau. We offered a wide range of landscape architecture services to our 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.

Tian Ming
Executive Director

In 2014, residential development projects continued to be the largest segment in terms of revenue, which accounted for approximately 50.9% (2013: 50.1%) of the total revenue of the Group. Infrastructure and public open space projects replaced commercial and mixed-use development projects to become the second largest segment in terms of revenue, which accounted for approximately 22.2% (2013: 13.5%) of the total revenue of the Group. The Group undertook more infrastructure and public open space projects in 2014 in order to leverage its highest profit margin among the four project-type segments.

For the year ended 31 December 2014, the Group entered into 242 new contracts with a total contract sum of approximately HK$297.2 million for projects located in the PRC and 40 new contracts with a total contract sum of approximately HK$21.8 million for projects located in Hong Kong and others. Approximately 93.2% of the new contract sum represented projects located in the PRC and approximately 6.8% represented projects located in Hong Kong and others.

The number of new contracts and contract sum entered by the Group during 2012 to 2014 are set out as follows:

Year ended 31 December	No. of new contracts	Contract sum (HK$'million)
2014	282	319.0
2013	172	296.7
2012	126	210.1

On 30 July 2014, Earthasia (Shanghai) Co., Ltd. ("EA Shanghai"), an indirect wholly-owned subsidiary of the Company, and Pubang Landscape Architecture Co., Ltd. ("Pubang") entered into a cooperation agreement, pursuant to which (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) (or any of its subsidiaries) all or part of its landscape projects that required landscape architecture services; and (ii) refer to Earthasia (Shanghai) (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) (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 above constituted continuing connected transactions. During the year ended 31 December 2014, Pubang subcontracted RMB2,532,827 (approximately HK$3,187,951) to the Group, which did not exceed the approved annual cap. The continuing connected transactions have been reviewed by the independent auditor.

Despite a challenging year in 2014, the management of the Company made great efforts to increase the source of revenue and profits to the shareholders (notwithstanding an one-off listing expenses) through exploration of new cooperation and business development opportunities.

FINANCIAL REVIEW

Revenue

Revenue increased to approximately HK$241.4 million for the year ended 31 December 2014, representing an increase of approximately 11.2%, as compared with that of approximately HK$217.0 million for the year ended 31 December 2013. The increase was mainly attributable to the increase in number of new contracts and new contract sum compared with the same period in 2013.

Cost of services

Cost of services increased to approximately HK$113.1 million for the year ended 31 December 2014, representing an increase of approximately of 15.7%, as compared with that of approximately HK$97.8 million for the year ended 31 December 2013. The increase was mainly driven by the corresponding increase in direct labour costs and labour hours in providing landscape architecture services.

Gross profit and gross profit margin

Gross profit increased to approximately HK$128.3 million for the year ended 31 December 2014, representing an increase of approximately 7.5%, as compared with that of approximately HK$119.3 million for the year ended 31 December 2013.

Gross profit margin decreased by approximately 1.8 percentage points to approximately 53.1% for the year ended 31 December 2014, as compared with that of approximately 54.9% for the year ended 31 December 2013.

Administrative expenses

Administrative expenses increased to approximately HK$85.5 million for the year ended 31 December 2014, representing an increase of approximately of 36.4%, as compared with that of approximately HK$62.7 million for the year ended 31 December in 2013. The increase was primarily attributable to (i) the increase in staff costs as a result of increase in average salary and headcount and (ii) increase in legal and professional expenses of approximately HK$15.9 million in connection to the listing of the Company in the first half of 2014.

Profit

As a result of the foregoing, profit attributable to owners of the Company decreased to approximately HK$28.0 million for the year ended 31 December 2014, representing a decrease of approximately 26.1%, as compared with that of approximately HK$37.9 million for the year ended 31 December 2013.

Net profit margin decreased by approximately 5.1 percentage points to approximately 12.3% for the year ended 31 December 2014, as compared with that of approximately 17.4% for the year ended 31 December 2013.

Excluding the listing expenses of approximately HK$15.9 million, the net profit would be approximately HK$45.5 million for the year ended 31 December 2014, representing an increase of approximately 20.4%, as compared with that of approximately HK$37.8 million for the year ended 31 December 2013.

Liquidity and Financial Resources

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000
Current assets	**250,268**	189,861
Current liabilities	**79,828**	113,004
Current ratio	**3.1x**	1.7x

The current ratio of the Group at 31 December 2014 was approximately 3.1 times as compared to that of approximately 1.7 times at 31 December 2013. It was mainly resulted from the net proceeds raised from the global offer and pre-IPO investment by Pubang.

At 31 December 2014, the Group had a total cash and bank balances of approximately HK$121.5 million (31 December 2013: HK$64.4 million).

At 31 December 2014, the Group's gearing ratio (represented by total interest-bearing other borrowings at the end of the period divided by total equity at the end of the respective period multiplied by 100% amounted to zero (31 December 2013: 0.6%).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2014.

Capital Structure

The Company's shares were successfully listed on Main Board of the Stock Exchange on 25 June 2014. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this annual report. The capital of the Group only comprises ordinary shares.

Foreign Exchange Exposure

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 31 December 2014, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Human Resources and Employees' Remuneration

As at 31 December 2014, the Group employed around 510 employees (31 December 2013: 460 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 our employees. Our 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 conditionally approved and adopted by the Company on 3 June 2014 and the Share Option Scheme became effective on 25 June 2014. During the year ended 31 December 2014, there was no option granted under the Share Option Scheme.

On 21 August 2014, the Company has 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 and 5 January 2015. During the year ended 31 December 2014, there was no awarded share granted under the Share Award Scheme. On 16 January 2015, the Board granted an aggregate of 3,289,000 awarded shares to 330 employees pursuant to the Share Award Scheme, among which 1,230,000 awarded shares were vested on 16 January 2015 and 2,059,000 awarded shares would be vested on 16 January 2016.

Event after the Reporting Period

On 27 February 2015, Earthasia (Shanghai) Co., Ltd., a major operating subsidiary of the Group, received an official notice from the State Administration of Taxation of Shanghai Pudong New Area sub-bureau agreeing that Earthasia (Shanghai) Co., Ltd. is entitled to enjoy preferential treatment on corporate income tax for three years from 1 January 2014 to 31 December 2016 on the basis that Earthasia (Shanghai) Co., Ltd. was recognized in October 2014 as a high and new technology enterprise. In accordance with the relevant PRC laws and regulations, Earthasia (Shanghai) Co., Ltd. is entitled to preferential treatment on corporate income tax enjoyed by high and new technology enterprise for three years from 1 January 2014 to 31 December 2016. The applicable enterprise income tax rate for Earthasia (Shanghai) Co., Ltd. could be reduced from 25% to the preferential tax rate of 15% for the three years from 1 January 2014 to 31 December 2016.

Updates on historical non-compliance matters of the Group

Reference is made to sub-section headed "Non-compliance matters of our Group during the track record period and as at the latest practicable date" under the section headed "Business" of the prospectus of the Company dated 12 June 2014. The latest updates on non-compliance matters and progress of rectification are as follows:

Non-compliance matter	Progress of rectification
Non-compliance with the Interim Measure for Participation in the Social Insurance System by Foreigners Working in China (在中國境內就業的外國人參加社會保險暫行辦法):	Since February 2014, our Group had opened accounts and made contribution for our 18 existing foreign employees that were under employment with us.
Earthasia (Shanghai) Co. Ltd. failed to open accounts and make payment of social insurance contributions for certain foreign employees.	Our Group had adopted actions to ensure future compliance. Earthasia (Shanghai) Co. Ltd. was not requested to pay any penalty by the relevant government authority up to the date of this annual report. The Directors are of the view that such historical non-compliance matter should not bring about any adverse impact on the Company's listing status or its financial position.

Non-compliance matter	Progress of rectification
Non-compliance with section 122 and section 158(4) of the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) by Earthasia (International) Limited: Earthasia (International) Limited failed to lay the profit and loss account before its annual general meeting; late filing of notice of appointment of first secretary and director; late filing in relation to change of director.	An application has been made to the Court of First Instance of the High Court of Hong Kong on 17 February 2014 for an order to extend the time for laying the said profit and loss account beyond the prescribed period but the High Court dismissed such application on the ground that prosecution of such non-compliance is time-barred as the relevant offence was committed more than three years ago.
Non-compliance with section 122, section 158(4), section 92(3) and section 119 of the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) by Earthasia Limited: Earthasia Limited failed to lay the profit and loss account before its annual general meeting; late filing in relation to appointment or resignation of directors and company secretary and change of address of the directors and company secretary; late filings in relation to change of address of registered office; failed to enter certain minutes of board meetings and/or general meetings.	Our Group had adopted actions to ensure future compliance. The Directors are of the view that such historical non-compliance matters are time-barred and should not bring about any adverse impact on the Company's listing status or its financial position.

Non-compliance matter	Progress of rectification
Non-compliance with certain corporate requirement by EA Group International Inc. in the Philippines: – Non-compliance with section 23 of the Philippine Corporation Code: The majority of the directors of Earthasia (Manila) were not residents of the Philippines.	To rectify, EA Group International Inc. had appointed Mr. Adjutor Santos Geronimo, Mr. Eduardo Custodio De Borja and Ms. Rosanna Derla Dedeles who are residents of the Philippines as the directors; appointed Ms. Gloria Mercado Chua who is a resident and citizen of the Philippines as the corporate secretary and treasurer since February 2014.
– Non-compliance with section 25 of the Philippine Corporation Code: The corporate secretary of Earthasia (Manila) was not a resident and citizen of the Philippines. – Non-compliance with the opinion issued by the Securities and Exchange Commission of the Philippines (the "SEC") dated 23 May 1991: The treasurer of Earthasia (Manila) was not a resident of the Philippines. – Failed to (i) pay the value-added tax ("VAT") since its incorporation pursuant to sections 105 to 108 of the Philippine Tax Code and (ii) pay Minimum Corporate Income Tax ("MCIT") for the financial years of 2011 and 2012 pursuant to section 27(E) of the Philippine Tax Code.	Up to the date of this annual report, there was no VAT or MCIT tax assessment nor requested to pay any penalty by the local tax authority against EA Group International Inc. The Group has made provisions until such non-compliance becomes time-barred. Meanwhile, EA Group International Inc. has appointed Ernst & Young as the local auditor to ensure compliance on VAT and MCIT tax filing for the two years ended 31 December 2013 and 2014. Our Group will continue to adopt internal control measures to ensure future compliance. The Directors are of the view that such historical non-compliance matter should not bring about any adverse impact on the Company's listing status or its financial position.

OUTLOOK

The successful listing on the Main Board of the Stock Exchange marked a milestone of the Company. The Group's accumulated experience, clients relationship and enhanced reputation are valuable assets. Looking forward, the Group will maximize its shareholders' value by enhancing its leading position in the landscape architecture services industry by strengthening existing markets and exploring new business opportunities with potential clients. The Directors believe that the new extension of geographic coverage through the establishment of branch offices and increase in number of staff could enhance the Group's capacity to undertake new client and for new business development.

As mentioned in the prospectus of the Company, the Group will consolidate its strength to develop waterscape and nightscape business, which are specialized business streams of landscape architecture. Waterscape comprises the management and development of ponds, streams, fountains and water-related features or elements, such as water treatment, water circulation and water purification. Nightscape refers to the use of lighting system designs to allow outdoor landscape and buildings to generate a scene viewed (especially at night) as represented in art, which may sometimes be understood as landscape lighting design. The Group has set up joint venture company with independent joint venture parties who possess the expertise and client relationship in these areas, with a view to widen the revenue stream and enhance the reputation of the Group in the future.

Apart from above, the Group will from time to time look for acquisition opportunity in order to expand the scope of services of the Group and to capture larger market shares given the landscape architecture service industry is fragmented in the PRC market. On 2 January 2015, a subsidiary of the Company entered into a memorandum of understanding with a third party independent from the Company and its connected persons to acquire 70% equity interest in a target company. The target company is engaged in landscape design and construction services. On 16 January 2015, the Group further entered into an earnest money agreement with that third party, pursuant to which the Group paid an earnest money for the possible acquisition of equity interest in the aforesaid target company.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Hing Tat Patrick (劉興達), aged 55, is the Chairman of the Board and an executive Director. He has over 31 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 (Guangzhou) Co. Ltd. since July 2013, (vi) the director of Earthasia Holdings Limited since 27 November 2013, (vii) the director and legal representative of Earthasia (QianHai) Limited since November 2014, (viii) the director of Earthasia Watersource Limited since November 2014, (ix) the director of Earthasia Lightech Limited since December 2014.

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 Lands and Development Advisory Committee. 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, and (iv) the Harbourfront Commission from July 2010 to June 2013.

As at the date of this annual report, Mr. Lau is the beneficial owner of the entire issued capital LSBJ Holdings Limited, which in turn holds 66,003,444 Shares representing approximately 16.5% of the issued share capital of the Company.

Mr. Chan Yick Yan Andross (陳奕仁), aged 52, is the Chief Executive Officer and an executive Director. He has over 29 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 (Guangzhou) Co. Ltd. since July 2013; (vii) the director of Earthasia Design (Shanghai) Co. Ltd. since November 2013; (viii) the director of Earthasia Holdings Limited since November 2013; (ix) the director of Earthasia (QianHai) Limited since November 2014, (x) the director of Earthasia Watersource Limited since November 2014, (xi) the director of Earthasia Lightech Limited since December 2014. 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 is the beneficial owner of the entire issued capital CYY Holdings Limited, which in turn holds 132,006,887 Shares representing approximately 33.0% of the issued share capital of the Company.

Mr. Tian Ming (田明), aged 59, is an executive Director. He has over 27 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 54, is a non-executive Director. He has over 19 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 34, is a non-executive Director. He has over eight 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 37, is a non-executive Director. She has over 14 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 48, is an independent non-executive Director. She has over eight years of experience in legal practice specialising corporate and commercial litigation matters. Admitted as a solicitor of Hong Kong in 2004, she served in Hon & Co. (韓潤燊律師樓) as consultant from August 2006 to July 2007 and assistant solicitor from August 2007 to June 2012. She has been the consultant of Chin & Associates (錢志庸律師行) since June 2012.

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 50, is an independent non-executive Director. He has over 23 years of experience in auditing, finance and accounting field.

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, 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 47, is an independent non-executive Director. He has been studying and teaching for architecture and urban planning for over 13 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).

SENIOR MANAGEMENT

Ms. Wu Man (吳曼), aged 43, is the chief human resources officer of our Company. She has over 17 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 41, 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. Ms. Chan possesses a solid background of over 21 years of experience in accounting and corporate finance. Prior to joining our Group, she joined Hok International (Asia/Pacific) Limited as accounts payable clerk from September 1996 to November 1998 responsible for accounts payable function.

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.

Mr. Kwok Ka Hei (郭嘉熙), aged 33, the chief financial officer of our Company. He has over nine years of experience in corporate finance and accounting profession. He joined our Group in December 2013 as the chief financial officer of Earthasia Limited. 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.

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 period from the Listing Date up to 31 December 2014. 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.

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 or accounting or related financial management expertise required by the Listing Rules. Throughout the year, 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 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 Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross and Mr. Ma Lida will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Monday, 18 May 2015, 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 or 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 is responsible for the corporate governance functions under code provision 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 cooperate governance policy.

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 MEETINGS

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 meetings were held from the Listing Date to 31 December 2014. Ad-hoc meetings will also be convened if necessary 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.

The members and attendance of the Board meeting are as follows:

Name of Directors	**Attendance/meeting held from the Listing Date to 31 December 2014**
Mr. Lau Hing Tat Patrick *(Chairman)*	4/5
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	5/5
Mr. Tian Ming	5/5
Mr. Michael John Erickson	4/5
Mr. Ma Lida	4/5
Ms. Huang Yaping	4/5
Mr. Wong Wang Tai	2/5
Ms. Tam Ip Fong Sin	4/5
Mr. Wang Yuncai	3/5

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.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. 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

Code provision 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.

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 heldfrom the Listing Date to 31 December 2014**
Mr. Lau Hing Tat Patrick *(Chairman)*	A & B
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	A & B
Mr. Tian Ming	A & B
Mr. Michael John 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 three 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 Audit Committee acts as the key representative body for overseeing the Company's relations with the external auditors. The primary duties are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to develop and implement policy on engaging an external auditor to supply non-audit services; to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, and to review significant financial reporting judgments contained in them; to review the Company's financial controls, internal control and risk management systems; to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings; to review the Group's financial and accounting policies and practices; to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

From the Listing Date to 31 December 2014, the Audit Committee has made recommendation on appointment of external auditor, reviewed the Group's internal controls and reviewed the Group's first interim results and report for the six months ended 30 June 2014 before submission to the Board for approval. The Group's final results for the year ended 31 December 2014 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee has also reviewed this annual report, and confirms that it is complete and accurate and complies with the Listing Rules.

The members and attendance of the Audit Committee meeting are as follows:

Name of Director	**Attendance/meeting held from the Listing Date to 31 December 2014**
Mr. Wong Wang Tai *(Chairman)*	1/1
Ms. Tam Ip Fong Sin	1/1
Mr. Wang Yuncai	–/1
Mr. Ma Lida	–/1

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 primary duties of the Remuneration Committee are to evaluate the performance and make recommendations to the Board regarding the remuneration package of individual executive Directors and senior management, so as to ensure that the levels of remuneration and compensation are appropriate.

Since the shares of the Company were listed on 25 June 2014, the members of Remuneration Committee did not hold any meeting during the year under review.

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. 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 paragraph A.5.6 of the 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.

Since the shares of the Company were listed on 25 June 2014, the members of Nomination Committee did not hold any meeting during the year under review.

DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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.

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:

Services rendered	Fees paid/payable (HK$'000)
Audit services	3,114
Non-audit services	238
Total	3,352

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the code and disclosure in the corporate governance report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

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 insurance cover for this purpose.

INTERNAL CONTROL

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

The Board has reviewed the effectiveness of the Group's material internal controls. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

ACCOUNTABILITY AND AUDIT

The Board is responsible for the preparation of 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 and they have no doubt about 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.

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 Room 1101-2, 11/F, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong (the "Principal Place of Business") 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 general meetings 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.

INVESTOR RELATIONS

During the year, there is no 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 2014.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 November 2013. In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent the corporate reorganisation (the "Corporate Reorganisation") to rationalise the group structure. As a result of the Corporate Reorganisation, the Company became the holding company of the Group on 27 December 2013. Details of the Corporate Reorganisation are more fully explained in the section headed "History and Corporate Structure – Reorganisation" in the prospectus of the Company dated 12 June 2014. The Group resulting from the Corporate Reorganisation is regarded as a continuing entity.

The Company's shares were listed on the Stock Exchange on 25 June 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group is landscape architecture in Hong Kong and Mainland China. The principal activities of the Company's subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on page 45.

The Board has proposed a final dividend of HK5.1 cents (2013: N/A) per ordinary share for the year ended 31 December 2014, representing a total payout of approximately HK$19.8 million, or a distribution of approximately 70.5% of the current year's profit attributable to owners of the Company. Subject to shareholders' approval at the forthcoming annual general meeting (the "AGM") to be held on Monday, 18 May 2015, the proposed final dividend will be paid on or around 12 June 2015.

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 126.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Friday, 15 May 2015 to Monday, 18 May 2015, both days inclusive, for the purpose of determining the entitlement to attend and vote at the AGM scheduled to be held on Monday, 18 May 2015. 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 Thursday, 14 May 2015.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Tuesday, 26 May 2015 to Thursday, 28 May 2015, both days inclusive, for the purpose of determining the entitlement to the proposed final dividend for the year ended 31 December 2014. The record date will be Thursday, 28 May 2015. In order to qualify for the proposed final dividend for the year ended 31 December 2014, all transfer forms accompanied by relevant share certificates must be lodged with the Branch Share Registrar not later than 4:30 p.m. on Friday, 22 May 2015.

LISTING AND USE OF PROCEEDS

The shares of the Company was successfully listed on the Main Board of the Stock Exchange on the 25 June 2014 by offering a total of 100,000,000 shares at the offer price of HK$1.2 per share. 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 incurred up to 31 December 2014 amounting to approximately HK31.2 million, among which approximately HK$3.7 million and HK$15.9 million were recognised as expenses in 2013 and 2014 respectively, and approximately HK$11.6 million was recognised as share premium.

As stated in the prospectus of the Company, the Directors intended to apply the net proceeds from the listing to finance the Group's capital expenditure and business expansion, strengthen its capital base and improve the overall financial position of the Group. The Directors intended to apply such net proceeds from the listing on (i) financing the planned capital expenditure in relation to expansion of the Group's scope of services; (ii) financing the planned capital expenditure in relation to the establishment of new regional offices in the PRC; (iii) financing the establishment of branch offices in relation to expansion of business coverage into other regions of the PRC; (iv) strengthening the sales and advertising efforts; and (v) for general working capital purposes.

Up to 31 December 2014, (i) approximately HK$35.1 million was used to increase the registered capital of Earthasia (Shanghai) Co. Ltd. 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 and (ii) approximately HK$2.9 million was used for general working capital purpose, which have been applied in the manner consistent with those disclosed in the prospectus of the Company. The unused net proceeds have been placed as interest-bearing deposits with banks in Hong Kong.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year are set out in note 14 to the consolidated financial statements in this annual report.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2014 are set out in note 24 to the consolidated financial statements in this annual report.

SHARE CAPITAL AND SHARE AWARD SCHEME

Details of the Company's share capital and Share Award Scheme during the year are set out in note 25 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.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, 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$82.4 million, of which approximately HK$19.8 million has been proposed as a final dividend for the year after the reporting period. The amount of HK$82.4 million includes the Company's share premium account of approximately HK$103.3 million in aggregate at 31 December 2014, 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 16.9% of the Group's turnover and sales to the Group's largest customer was approximately 7.6% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 5.2% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 2.8% of the Group's total purchases.

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

Pursuant to Article 108(a), Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross and Mr. Ma Lida will retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

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 19 to 24 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:–

(a) Each service agreement is for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by the executive Director by giving to the Company not less than three months' notice in writing at any time after such initial fixed term or by the Company giving to the executive Director not less than three months' prior notice in writing at any time after the date of agreement.

(b) The annual remuneration (including director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) for the year ended 31 December 2014 payable to Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross and Mr. Tian Ming under their respective service agreements would be approximately HK$2,400,000, HK$2,800,000 and HK$2,300,000 respectively.

(c) Each of the executive Directors may be entitled to, if so recommended by the remuneration committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Director provided that the aggregate amount of bonuses payable to all the executive Directors in respect of any financial year shall not exceed 5% of the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items attributable to the Shareholders for the relevant financial year.

(d) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the remuneration payable to himself.

Each of the non-executive Directors has entered into a service agreement with the Company under which each of them is appointed for a period of three years commencing from the Listing Date and shall continue thereafter until it is terminated by the non-executive Director by giving to the Company not less than one month's notice in writing at any time after such initial fixed term or by the Company giving to the non-executive Director not less than one month's prior notice in writing at any time after the date of agreement. The annual director's fee payable to Mr. Michael John Erickson under his letter of appointment is HK$1,900,000 whereas the same payable to each of Mr. Ma Lida and Ms. Huang Yaping under their respective letter of appointment is HK$600,000.

Each of the independent non-executive Directors has entered into a service agreement with the Company under which each of them is appointed for a period of one year commencing from the Listing Date and shall continue thereafter until it is terminated by the independent non-executive Director by giving to the Company not less than one month's notice in writing at any time after such initial fixed term or by the Company giving to the independent non-executive Director not less than one month's prior notice in writing at any time after the date of agreement. The annual director's fee payable to each of Mr. Wong Wang Tai, Ms. Tam Ip Fong Sin and Mr. Wang Yuncai under their respective letter of appointment shall be HK$120,000. Save for the annual director's fees mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at 31 December 2014 or at any time during the year ended 31 December 2014.

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 2014.

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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2014, 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 of the Company

Name of Director	Capacity/nature of interest	Number of shares of the Company	Approximate percentage of shareholding interests of the Company
Mr. Chan Yick Yan Andross	Interest in a controlled corporation (Note 1)	132,006,887	33.0%
Mr. Lau Hing Tat Patrick	Interest in a controlled corporation (Note 2)	66,003,444	16.5%

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. 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 OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved and adopted by the Company on 3 June 2014 and the Share Option Scheme became effective on 25 June 2014. During the year ended 31 December 2014 and up to the date of this annual report, there has been no option granted under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, 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.

Long position in the shares of the Company:

Name	Capacity/nature of interest	Number of shares of the Company	Approximate percentage of shareholding interests of the Company
CYY Holdings Limited (Note 1)	Beneficial owner	132,006,887	33.0%
PBLA Limited (Note 2)	Beneficial owner	101,989,669	25.5%
Pubang Landscape Architecture (HK) Company Limited (Note 2)	Interest in a controlled corporation	101,989,669	25.5%
Pubang (Note 2)	Interest in a controlled corporation	101,989,669	25.5%
Mr. Tu Shan Zhong (Note 2)	Interest in a controlled corporation	101,989,669	25.5%
LSBJ Holdings Limited	Beneficial owner	66,003,444	16.5%

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. Mr. Tu Shan Zhong is interested in 31.1% of the equity interest of Pubang. Accordingly, each of Pubang Landscape Architecture (HK) Company Limited, Pubang 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.

CONTINUING CONNECTED TRANSACTIONS

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

Transactions	**Year ended 31 December 2014** HK$'000
Non-exempt continuing connected transactions	
(i) Contract revenue payable by Pubang, a substantial shareholder of the Company	3,188
Exempt continuing connected transactions	
(i) Rental expenses to Mr. Chan Yick Yan Andross, a Director	514
(ii) Rental expenses to Mr. Tian Ming, a Director	340

(i) Details of the continuing connected transactions with Pubang have been disclosed in the announcement and circular of the Company dated 30 July 2014 and 21 August 2014 respectively relating to the Cooperation Agreement entered into between the Group and Pubang.

(ii) Details of the exempted continuing connected transactions with Mr. Chan Yick Yan Andross and Mr. Tian Ming have been disclosed in the prospectus of the Company dated 12 June 2014 relating to the lease agreements with Mr. Chan Yick Yan Andross and Mr. Tian Ming to lease certain properties.

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 of the Company). 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.

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 2014 was audited by Ernst & Young. 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, 15 April 2015

Independent Auditors' Report

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

We have audited the consolidated financial statements of Earthasia International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 125, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**241,365**	217,048
Cost of services provided	6	**(113,108)**	(97,790)
GROSS PROFIT		**128,257**	119,258
Other income and gains	5	**9,918**	6,143
Selling and marketing expenses		**(8,424)**	(6,007)
Administrative expenses		**(85,482)**	(62,736)
Finance costs	7	**(25)**	(57)
Other expenses		**(3,167)**	(2,387)
PROFIT BEFORE TAX	6	**41,077**	54,214
Income tax	10	**(11,478)**	(16,446)
PROFIT FOR THE YEAR		**29,599**	37,768
Attributable to:			
Owners of the company		**28,020**	37,893
Non–controlling interests		**1,579**	(125)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**93**	1,505
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,692**	39,273
Profit/(loss) attributable to:			
Owners of the company	11	**28,103**	39,400
Non–controlling interests		**1,589**	(127)
		29,692	39,273
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted			
– For profit for the year		**HK8.1 cents**	HK13.2 cents

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON–CURRENT ASSETS			
Goodwill	28	**3,111**	–
Property and equipment	14	**5,827**	5,963
Intangible assets	15	**4,034**	1,542
Deposits	20	**2,272**	1,333
Deferred tax assets	17	**4,281**	3,989
Total non–current assets		**19,525**	12,827
CURRENT ASSETS			
Amounts due from customers for contract works	18	**65,211**	64,056
Trade receivables	19	**53,829**	48,069
Prepayments, deposits and other receivables	20	**6,498**	11,487
Amount due from a related company	31(b)	**19**	–
Amount due from a director	31(b)	**–**	52
Tax recoverable		**3,184**	1,833
Cash and bank balances	21	**121,527**	64,364
Total current assets		**250,268**	189,861
CURRENT LIABILITIES			
Trade payables	22	**2,862**	1,130
Other payables and accruals	23	**17,132**	29,216
Interest–bearing other borrowing	24	**–**	184
Amounts due to customers for contract works	18	**30,873**	59,641
Tax payable		**28,961**	22,833
Total current liabilities		**79,828**	113,004
NET CURRENT ASSETS		**170,440**	76,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**189,965**	89,684

Consolidated Statement of Financial Position (continued)

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON–CURRENT LIABILITIES			
Deferred tax liabilities	17	**2,197**	3,482
Interest–bearing other borrowing	24	**–**	296
Total non–current liabilities		**2,197**	3,778
NET ASSETS		**187,768**	85,906
EQUITY			
Equity attributable to owners of the parent			
Share capital: nominal value	25	**4,000**	–
Treasury shares	25	**(157)**	–
Other reserves	26	**162,386**	85,715
Proposed final dividend	12	**19,760**	–
		185,989	85,715
Non–controlling interests		**1,779**	191
Total equity		**187,768**	85,906

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

		Attributable to owners of the company										
	Notes	Share capital (note 25)	Treasury shares (note 25)	*Share premium account (note 25)	*Capital reserve	*Reserve funds	*Exchange fluctuation reserve	*Retained profits	Proposed final dividend	Total interests	Non controlling equity	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014		–	–	–	5	1,975	4,567	79,168	–	85,715	191	85,906
Profit for the year		–	–	–	–	–	–	28,020	–	28,020	1,579	29,599
Other comprehensive Income for the year: Exchange differences on translation of foreign operations		–	–	–	–	–	83	–	–	83	10	93
Total comprehensive income for the year		–	–	–	–	–	83	28,020	–	28,103	1,589	29,692
Acquisition of a Subsidiary	27	–	–	–	–	–	–	–	–	–	(1)	(1)
Capitalisation issue	25(c)	3,000	–	(3,000)	–	–	–	–	–	–	–	–
Issue of shares	25(b),(d)	1,000	–	134,000	–	–	–	–	–	135,000	–	135,000
Treasury shares	25	–	(157)	(16,056)	–	–	–	–	–	(16,213)	–	(16,213)
Share issue expenses		–	–	(11,616)	–	–	–	–	–	(11,616)	–	(11,616)
Final 2013 declared	12	–	–	–	–	–	–	(35,000)	–	(35,000)	–	(35,000)
Proposed final 2014 dividend	12	–	–	–	–	–	–	(19,760)	19,760	–	–	–
Transfer from retained profits		–	–	–	–	4,547	–	(4,547)	–	–	–	–
At 31 December 2014		4,000	(157)	103,328	5	6,522	4,650	47,881	19,760	185,989	1,779	187,768

* These reserve accounts comprise the consolidated other reserves of HK$162,386,000 (2013: HK$85,715,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2014

		Attributable to owners of the company								
	Notes	Share capital (note 25) HK$'000	*Share premium account (note 25) HK$'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 2013		–	–	5	1,975	3,060	56,390	61,430	–	61,430
Profit for the year		–	–	–	–	–	37,893	37,893	(125)	37,768
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	1,507	–	1,507	(2)	1,505
Total comprehensive income for the year		–	–	–	–	1,507	37,893	39,400	(127)	39,273
Capital injection from non-controlling interest		–	–	–	–	–	–	–	318	318
Dividend		–	–	–	–	–	(15,115)	(15,115)	–	(15,115)
At 31 December 2013		–	–	5	1,975	4,567	79,168	85,715	191	85,906

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	**41,077**	54,214
Adjustments for:			
Finance costs	7	**25**	57
Expenses related to the listing of the Company's shares	6	**15,863**	–
Interest income	6	**(615)**	(146)
(Gain)/loss on disposal of items of property and equipment	6	**(5)**	327
Depreciation	6	**3,024**	2,758
Amortisation of intangible assets	6	**869**	641
Impairment of provision of trade receivables	6	**2,222**	1,991
		62,460	59,842
Increase in amounts due from customers for contract works		**(1,351)**	(2,274)
Increase in trade receivables		**(8,014)**	(27,015)
Decrease/(increase) in prepayments, deposits and other receivables		**2,929**	(4,657)
(Increase)/decrease in an amount due from a related company		**(19)**	26
Decrease in an amount due from a director		**51**	57
Increase/(decrease) in trade payables		**1,723**	(946)
(Decrease)/increase in other payables and accruals		**(1,559)**	7,169
(Decrease)/increase in amounts due to customers for contract works		**(28,456)**	10,241
Decrease in an amount due to a director		**–**	(80)
Cash generated from operations		**27,764**	42,363
Income tax paid		**(8,771)**	(2,413)
Net cash flows from operating activities		**18,993**	39,950

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**615**	146
Purchases of items of property and equipment		**(2,652)**	(1,972)
Proceeds from disposal of items of property and equipment		**12**	1
Acquisition of a subsidiary		**96**	–
Additions to other intangible assets		**(1,938)**	(557)
Net cash flows used in investing activities		**(3,867)**	(2,382)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**120,000**	–
Shares repurchased		**(16,213)**	–
Expenses paid related to listing of the Company's shares		**(26,235)**	–
Capital injection by a non-controlling interest		**–**	318
Increase in other payable		**–**	15,000
Repayment of other loan		**(480)**	(143)
Dividends paid		**(35,000)**	(15,115)
Interest paid		**(25)**	(57)
Net cash flows from financing activities		**42,047**	3
NET INCREASE IN CASH AND CASH EQUIVALENTS		**57,173**	37,571
Cash and cash equivalents at beginning of year		**64,364**	27,854
Effect of foreign exchange rate changes, net		**(10)**	(1,061)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**121,527**	64,364
ANALYSIS OF BALANCES OF CASH CASH AND CASH EQUIVALENTS			
CASH AND BANK BALANCES AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		**121,527**	64,364

Statement of Financial Position

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**5,854**	5,854
Total non-current assets		**5,854**	5,854
CURRENT ASSETS			
Prepayments	20	**425**	897
Amount due from subsidiaries	16	**40,138**	–
Cash and cash equivalents	21	**50,757**	–
Total current assets		**91,320**	897
CURRENT LIABILITIES			
Amount due to a subsidiary	16	**4,808**	3,592
Other payables	23	**308**	–
Total current liabilities		**5,116**	3,592
NET CURRENT ASSETS/(LIABILITIES)		**86,204**	(2,695)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		**92,058**	3,159
EQUITY			
Equity attributable to owners of the parent:			
Share capital: nominal value	25	**4,000**	–
Treasury shares	25	**(157)**	–
Other reserves	26	**68,455**	3,159
Proposed final dividend	12	**19,760**	–
Total equity		**92,058**	3,159

1. CORPORATE 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 registered at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company and the subsidiaries (collectively the "Group") is landscape architecture in Hong Kong and the Mainland China. There were no significant changes in the nature of the Group's principal activity during the year.

2.1 BASIS OF PREPARATION

The 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"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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.

Pursuant to the reorganisation, the Company incorporated Earthasia Holdings Limited, a company incorporated in the British Virgin Islands, on 27 November 2013, which then acquired the entire shares in Earthasia (International) Limited, then the holding company of the companies now comprising the Group, in consideration and in exchange for 5,000 shares in the Company.

As the reorganisation only involved inserting new holding entities at the top to hold the existing company (i.e. Earthasia (International) Limited) and has not resulted in any change of economic substances, the financial statements for the year ended 31 December 2013 have been presented as a continuation of the existing company using the pooling of interests method. Pursuant to the reorganisation in November 2013, the Company and Earthasia Holdings Limited were incorporated and interspersed between Earthasia (International) Limited and its then shareholders, and became the holding companies of Earthasia (International) Limited and its subsidiaries. Accordingly, the consolidated financial statements for the year ended 31 December 2013 have been prepared by applying the principles of pooling of interests method as if the reorganisation had been completed at the beginning of 1 January 2013, except that EA Group International, Inc. was accounted for as a business combination using the acquisition method as further explained below.

2.1 BASIS OF PREPARATION (Continued)

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 2014. 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 in the accounting policy for subsidiaries below. 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 interest 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 revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27. The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 Provisions, *Contingent Liabilities* and *Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 IFRS 12 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (Continued)

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

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. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The 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 Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to 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. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (Continued)

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 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 to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

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).

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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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 that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. 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. 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.

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.

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 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, however 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 profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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); and

   (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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, plant 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 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 depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment over the 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 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (Continued)

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.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

OPERATING LEASES

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 profit or loss on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

Subsequent measurement

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

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 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 profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

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 to the extent of the Group's continuing involvement in the asset. 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 of 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 and that loss events 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 profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued 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 profit or loss.

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.

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. The Group determines the classification of its financial liabilities at initial recognition.

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 an interest-bearing other borrowing.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing other 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TREASURY SHARES

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. 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. Any difference between the carrying amount and the consideration is recognised in equity.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements 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, form an integral part of the Group's cash management.

For the purpose of the statements 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 the Group has 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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

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.

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 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 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 of the 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 assets 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 customers for contract works. 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. Eligible participants receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

During the year ended 31 December 2014, there was no option granted to the eligible participants. On 16 January 2015, the Company granted award shares to employees under a share award scheme. The cost of equity-settled transactions with employees for grants after 16 January 2015 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.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHARE-BASED PAYMENTS (Continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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.

EMPLOYEE BENEFITS

Pension scheme

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 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 the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 10% to 20% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to state-managed retirement benefit schemes in jurisdictions other than the PRC are charged as expenses when employees have rendered service entitling them to the contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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 and presentation 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.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 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 the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

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 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:

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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 service

The Group recognises revenue according to the percentage of completion of individual contracts of service contract, 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 contract, 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

ESTIMATION UNCERTAINTY (Continued)

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 2014 was HK$3,111,000 (2013: Nil). Further details are given in note 28.

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. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. 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.

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 credit worthiness 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.

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 area;

(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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance cost, as well as head office and corporate income and expenses are excluded from such measurement.

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.

Segment assets include trade receivables and amounts due from contract customers and exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include trade payables, other payables and accruals, and amounts due to customers for contract works but exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION (Continued)

YEAR ENDED 31 DECEMBER 2014

	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	122,975	53,653	41,510	23,227	241,365
Segment results	69,437	31,745	14,940	12,135	128,257
Reconciliation					
Unallocated income					9,918
Unallocated expense					(97,073)
Finance costs					(25)
Profit before tax					41,077
Segment assets:	53,607	29,520	22,028	13,885	119,040
Reconciliation					
Unallocated assets					150,753
Total assets					269,793
Segment liabilities	19,864	4,493	7,213	1,756	33,326
Reconciliation					
Unallocated liabilities					48,699
Total liabilities					82,025
Other segment information					
Impairment of trade receivables	(446)	641	1,800	227	2,222
Unallocated:					
Depreciation and amortisation					3,893
Capital expenditures*					
Unallocated					6,000

* Capital expenditures consists of the addition of property and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION (Continued)

YEAR ENDED 31 DECEMBER 2013

	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	108,786	29,340	56,540	22,382	217,048
Segment results	59,119	16,602	30,470	11,076	117,267
Reconciliation					
Unallocated income					6,143
Unallocated expense					(69,139)
Finance costs					(57)
Profit before tax					54,214
Segment assets:	50,375	16,749	35,084	9,917	112,125
Reconciliation					
Unallocated assets					90,563
Total assets					202,688
Segment liabilities	39,414	5,522	15,340	4,001	64,277
Reconciliation					
Unallocated liabilities					52,505
Total liabilities					116,782
Other segment information					
Impairment of trade receivables	1,583	140	268	–	1,991
Unallocated:					
Depreciation and amortisation					3,399
Capital expenditures*					
Unallocated					2,529

* Capital expenditures consists of the addition of property and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Hong Kong	**20,665**	15,562
Mainland China	**218,724**	198,155
Others	**1,976**	3,331
	241,365	217,048

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

During the years ended 2014 and 2013, other than Mainland China and Hong Kong, the Group derived revenue from Macau and the Philippines.

(b) Non-current assets

	2014 HK$'000	2013 HK$'000
Hong Kong	**957**	635
Mainland China	**8,579**	6,870
Others	**325**	–
	9,861	7,505

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

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from operations of approximately HK$18,366,000 (2013: HK$23,149,000) was derived from sales to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of service contracts during the year.

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

	2014 HK$'000	2013 HK$'000
Revenue		
Service contracts	**241,365**	217,048
Other income		
Service income	**6,159**	2,686
Interest income	**615**	146
Government grants	**2,768**	2,525
	9,542	5,357
Gains		
Foreign exchange gain	**371**	197
Gain on disposals of items of property and equipment	**5**	–
Others	**–**	589
	376	786
	9,918	6,143

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

6. PROFIT BEFORE TAX

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

	Notes	2014 HK$'000	2013 HK$'000
Cost of services provided		**113,108**	97,790
Depreciation	14	**3,024**	2,758
Amortisation of intangible assets	15	**869**	641
Research and development costs:			
Current year expenditure		**7,881**	7,477
Minimum lease payments under operating leases of buildings		**12,926**	12,483
Auditors' remuneration		**3,352**	513
Employee benefit expense(including directors' and chief executive's remuneration (note 8)			
– Wages and salaries		**105,008**	89,484
– Pension scheme contributions and welfare		**7,545**	5,699
– Welfare and other benefits		**1,908**	1,778
		114,461	96,961
Foreign exchange gains, net		**(371)**	(197)
Impairment of provision of trade receivables	19	**2,222**	1,991
Interest income		**(615)**	(146)
(Gain)/loss on disposal of items of property and equipment		**(5)**	327
Expenses related to the listing of the Company's shares*		**15,863**	3,732

* Share issue expenses related to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on other borrowing	**25**	57

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration of the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and section 78 of the Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**180**	–
Other emoluments:		
– Salaries, allowances and benefits in kind	**9,061**	8,824
– Pension scheme contributions and other benefits	**206**	506
	9,267	9,330
	9,447	9,330

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:

	2014	2013
	HK$'000	HK$'000
Fong Sin Tam Ip*	**60**	–
Wang Tai Wong*	**60**	–
Yuncai Wang*	**60**	–
	180	–

There were no other emoluments payable to the independent non-executive directors during the year (2013: N/A).

* Fong Sin Tam Ip, Wang Tai Wong and Yuncai Wang were appointed as independent non-executive directors of the Company on 3 June 2014.

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$'000	Pension scheme contributions and other benefits HK$'000	Total HK$'000
2014			
Executive directors:			
Patrick Lau	**2,160**	**17**	**2,177**
Ming Tian	**1,852**	**65**	**1,917**
	4,012	**82**	**4,094**
Non-executive directors:			
Michael John Erickson*	**1,831**	**64**	**1,895**
Lida Ma*	**300**	**–**	**300**
Yaping Huang*	**300**	**–**	**300**
	2,431	**64**	**2,495**
Chief executive:			
Andross Chan	**2,618**	**60**	**2,678**
	9,061	**206**	**9,267**
2013			
Executive directors:			
Patrick Lau	2,160	15	2,175
Ming Tian	2,464	130	2,594
	4,624	145	4,769
Chief executive:			
Andross Chan	4,200	361	4,561
	8,824	506	9,330

* Michael John Erickson, Lida Ma and Yaping Huang were appointed as non-executive directors of the Company on 24 February 2014.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 3 directors and 1 chief executive (2013: 2 directors and 1 chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 1 (2013: 2) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,551**	2,789
Pension scheme contributions	**60**	130
	1,611	2,919

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	
	2014	2013
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
	1	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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, a subsidiary of the Company, was granted with the High and New Technology Enterprises ("HNTE") qualification and subject to a preferential corporate income tax rate of 15% for a period of three years commencing from year ended 31 December 2014 (2013: 25%).

Other subsidiaries located in Mainland China were subject to the statutory corporate income tax rate of 25% for the year (2013: 25%) under the income tax rules and regulations in the PRC.

EA Group International, Inc. was subject to the income tax rate as follows:

Philippines income tax has been provided at the rate of 30% on the estimated taxable income during the year. Starting on the fourth taxable year after the year the business operations commenced, entities incorporating in the Philippines are required to pay tax equivalent to the higher of 30% regular corporation 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.

	2014 HK$'000	2013 HK$'000
Group		
Current – Hong Kong:	**1,879**	697
Current – Mainland China	**11,011**	15,658
Current – Philippines	**157**	–
	13,047	16,355
Deferred (note 17)	**(1,569)**	91
Total tax charge for the year	**11,478**	16,446

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:

Group – 2014

	Hong Kong		Mainland China		Philippines		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(13,896)		54,695		278		41,077	
Tax at the statutory tax rate	(2,293)	16.5	13,674	25.0	83	30.0	11,464	27.9
Lower tax rate for specific provinces or enacted by local authority	–	–	(4,508)	(8.2)	–	–	(4,508)	(11.0)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	421	(3.0)	–	–	–	–	421	1.0
Effect on opening deferred tax of decrease in rate	–	–	1,359	2.5	–	–	1,359	3.3
Expenses not deductible for tax	2	–	83	0.2	84	30.2	169	0.4
Temporary difference not recognised	(51)	0.3	–	–	–	–	(51)	–
Tax losses not recognised	2,515	(18.1)	109	0.2	–	–	2,624	6.3
Tax charge at the Group's effective rate	594	(4.3)	10,717	19.6	167	60.2	11,478	27.9

10. INCOME TAX (Continued)

Group - 2013

	Hong Kong		Mainland China		Philippines		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(1,671)		55,885		–		54,214	
Tax at the statutory tax rate	(276)	16.5	13,971	25.0	–	–	13,695	25.3
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	2,050	(122.7)	–	–	–	–	2,050	3.8
Expenses not deductible for tax	64	(3.8)	100	0.2	–	–	164	0.3
Adjustments in respect of current tax of previous periods	445	(26.7)	92	0.2	–	–	537	1.0
Tax charge at the Group's effective rate	2,283	(136.6)	14,163	25.3	–	–	16,446	30.3

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of HK$18,272,000 (2013: a loss of HK$2,695,000) which has been dealt with in the financial statements of the Company (note 26).

12. DIVIDEND

	2014 HK$'000	2013 HK$'000
Interim (a)	**35,000**	15,115
Proposed final (b)	**19,760**	–
	54,760	15,115

12. DIVIDEND (Continued)

Notes:

(a) Pursuant to a resolution of the general meeting of shareholders on 14 January 2014, the Company declared a cash dividend of HK$3,500 per ordinary share. The rate of dividends and the number of shares ranking for dividends are not presented for 2013 as such information is not considered meaningful prior to the incorporation of the Company.

(b) The directors proposed a final dividend of HK$0.051 per ordinary share. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the year and the weighted average number of ordinary shares in issue during year. The Company was incorporated on 25 November 2013. In order to provide comparative financial statements, the calculation of the basic earnings per share for the year ended 2013 is based on the assumption that the Company had been set up throughout 2013 and the capitalisation issue of 286,971,494 shares has been effective since 1 January 2013.

The Group had no potentially dilutive ordinary shares in issue during the year.

The calculation of basic and diluted earnings per share is based on:

	2014 **HK$'000**	2013 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company	**28,020**	37,893

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year	**346,550,722**	286,971,494

14. PROPERTY AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014				
At 31 December 2013, and at 1 January 2014:				
Cost	3,671	9,927	3,345	16,943
Accumulated depreciation	(2,307)	(6,742)	(1,931)	(10,980)
Net carrying amount	1,364	3,185	1,414	5,963
At 1 January 2014, net of accumulated depreciation	1,364	3,185	1,414	5,963
Additions	640	1,394	618	2,652
Acquisition of a subsidiary (note 27)	–	269	–	269
Depreciation	(918)	(1,509)	(597)	(3,024)
Disposal	–	(7)	–	(7)
Exchange realignment	(7)	(14)	(5)	(26)
At 31 December 2014, net of accumulated depreciation	1,079	3,318	1,430	5,827
At 31 December 2014:				
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

14. PROPERTY AND EQUIPMENT (Continued)

Group

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013				
At 1 January 2013:				
Cost	4,386	6,898	2,935	14,219
Accumulated depreciation	(2,453)	(3,885)	(987)	(7,325)
Net carrying amount	1,933	3,013	1,948	6,894
At 1 January 2013, net of accumulated depreciation	1,933	3,013	1,948	6,894
Additions	575	1,397	-	1,972
Depreciation	(882)	(1,290)	(586)	(2,758)
Disposal	(312)	(17)	-	(329)
Exchange realignment	50	82	52	184
At 31 December 2013, net of accumulated depreciation	1,364	3,185	1,414	5,963
At 31 December 2013:				
Cost	3,671	9,927	3,345	16,943
Accumulated depreciation	(2,307)	(6,742)	(1,931)	(10,980)
Net carrying amount	1,364	3,185	1,414	5,963

At 31 December 2013, a motor vehicle of the group with a net carrying amount of HK$661,000 was pledged to secure a loan granted to the Group (note 24).

15. INTANGIBLE ASSETS

Group

	Software HK$'000
Cost at 1 January 2013, net of accumulated amortisation	1,583
Additions	557
Amortisation during the year	(641)
Exchange realignment	43
Cost at 31 December 2013 and 1 January 2014, net of accumulated amortisation	**1,542**
Additions	**3,348**
Amortisation during the year	**(869)**
Exchange realignment	**13**
At 31 December 2014	**4,034**

16. INVESTMENTS IN SUBSIDIARIES

Company

	2014 HK$'000	2013 HK$'000
Unlisted investments, at cost	**5,854**	5,854
	5,854	5,854

The amount due from subsidiaries and to a subsidiary included in the Company's current assets and current liabilities of HK$40,138,000 (2013: Nil) and HK$4,808,000 (2013: HK$3,592,000), respectively, are unsecured, interest-free and are repayable on demand.

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ paid-up registered capital as at 31 December 2014	Percentage of equity to the Company as at 31 December 2014	Principal activities
Earthasia Holdings Limited* ("EA BVI")	British Virgin Islands 27 November 2013	US$100	100.00%	Investment Holding
Earthasia (International) Limited ("EAI")*	Hong Kong 2 June 2004	HK$ 5,000	100.00%	Landscape architecture
泛亞景觀設計（上海）有限公司* ("Earthasia (Shanghai) Co., Ltd.")#	Mainland China 9 December 2004	US$ 490,000	100.00%	Landscape architecture
Earthasia Limited*	Hong Kong 27 February 1981	HK$ 10,000	100.00%	Landscape architecture
泛亞景觀設計（廣州）有限公司* ("Earthasia (Guangzhou) Co., Ltd.")#	Mainland China 30 July 2013	RMB 1,000,000	100.00%	Dormant
泛亞國際環境設計（廈門）有限公司* ("Earthasia (Xiamen) Co., Ltd.")#	Mainland China 5 March 2013	RMB 1,000,000	75.00%	Landscape architecture
EA Group International, Inc.	Philippines 16 October 2007	PHP 1,000,000	99.95%	Design and drawing support services

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation/ establishment	Issued ordinary share/ paid-up registered capital as at 31 December 2014	Percentage of equity to the Company as at 31 December 2014	Principal activities
泛亞城市規劃設計（上海）有限公司* ("Earthasia Design (Shanghai) Co., Ltd.")#	Mainland China 20 November 2013	RMB 1,000,000	100.00%	Landscape architecture
前海泛亞景觀設計（深圳）有限公司* ("Earthasia (QianHai) Limited")#	Mainland China 14 November 2014	HK$ 1,000,000	100.00%	Interior design and landscape
Earthasia Watersource Limited*	Hong Kong 29 October 2014	HK$100	55.00%	Waterscape consultancy
Earthasia Lightech Limited*	Hong Kong 19 December 2014	HK$100	55.00%	Nightscape consultancy

Other than EA BVI, the subsidiaries are held indirectly by the Company.

Earthasia (Shanghai) Co, Ltd., Earthasia (Guangzhou) Co, Ltd., Earthasia Design (Shanghai) Co., Ltd. and Earthasia (QianHai) Limited are wholly-foreign-owned enterprises and their registered capital was fully paid up at 31 December 2014.

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

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

During the year, the Group acquired EA Group International, Inc. Further details of the acquisition are included in note 27 to the financial statements.

16. INVESTMENTS IN SUBSIDIARIES (Continued)

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

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Earthasia (Xiamen) Co., Ltd.	**25%**	25%

	2014 **HK$'000**	2013 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Earthasia (Xiamen) Co., Ltd.	**1,591**	(125)
Dividends paid to non-controlling interests	**–**	–
Accumulated balances of non-controlling interests at the reporting dates:		
Earthasia (Xiamen) Co., Ltd.	**1,793**	191

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

2014	**Earthasia (Xiamen) Co., Ltd. HK$'000**
Revenue	**16,277**
Total expenses	**(9,911)**
Profit for the year	**6,366**
Total comprehensive income for the year	**6,377**
Current assets	**12,100**
Non-current assets	**605**
Current liabilities	**(5,533)**
Non-current liabilities	**–**
Net cash flows from operating activities	**1,251**
Net cash flows from investing activities	**4**
Net cash flows used in financing activities	**–**
Net increase in cash and cash equivalents	**1,255**

16. INVESTMENTS IN SUBSIDIARIES (Continued)

2013	Earthasia (Xiamen) Co., Ltd. HK$'000
Revenue	1,764
Total expenses	(2,265)
Loss for the year	(501)
Total comprehensive income for the year	(503)
Current assets	1,747
Non-current assets	420
Current liabilities	(1,404)
Non-current liabilities	–
Net cash flows from operating activities	124
Net cash flows from investing activities	–
Net cash flows used in financing activities	–
Net increase in cash and cash equivalents	124

17. DEFERRED TAX ASSETS/LIABILITIES

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

DEFERRED TAX ASSETS

Group

	2014 **HK$'000**	2013 HK$'000
At 1 January	**3,989**	2,412
Acquisition of a subsidiary	**21**	–
Credited to profit or loss during the year	**284**	1,479
Exchange realignment	**(13)**	98
At 31 December	**4,281**	3,989

DEFERRED TAX LIABILITIES

Group

	2014 **HK$'000**	2013 HK$'000
At 1 January	**3,482**	1,912
(Credited)/charged to profit or loss during the year	**(1,285)**	1,570
At 31 December	**2,197**	3,482

17. DEFERRED TAX ASSETS/LIABILITIES (Continued)

DEFERRED TAX ASSETS

Group

	Accruals HK$'000	Depreciation HK$'000	Accumulated loss HK$'000	Impairment provision HK$'000	MCIT HK$'000	Total HK$'000
At 1 January 2013	–	15	–	2,397	–	2,412
Credited/(charged) to profit or loss	457	(15)	91	946	–	1,479
Exchange realignment	7	–	1	90	–	98
At 31 December 2013 and 1 January 2014	**464**	**–**	**92**	**3,433**	**–**	**3,989**
Acquisition of a subsidiary	**–**	**–**	**–**		**21**	**21**
Credited/(charged) to profit or loss	**(450)**		**(91)**	**844**	**(19)**	**284**
Exchange realignment	**(5)**	**–**	**(1)**	**(5)**	**(2)**	**(13)**
At 31 December 2014	**9**	**–**	**–**	**4,272**	**–**	**4,281**

DEFERRED TAX LIABILITIES

Group

	Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries HK$'000
At 1 January 2013	1,912
Charged to profit or loss during the year	1,570
At 31 December 2013 and 1 January 2014	**3,482**
Credited to profit or loss during the year	**(1,285)**
At 31 December 2014	**2,197**

17. DEFERRED TAX ASSETS/LIABILITIES (Continued)

DEFERRED TAX LIABILITIES (Continued)

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.

The Group has tax losses arising in Mainland China of HK$801,000 (2013: HK$729,000) 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 they have arisen in subsidiaries newly established and 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$17,937,000 (2013: HK$2,695,000) 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.

18. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	Group	
	2014	2013
	HK$'000	HK$'000
Gross amounts due from customers for contract works	**65,211**	64,056
Gross amounts due to customers for contract works	**(30,873)**	(59,641)
	34,338	4,415
Contract costs incurred plus recognised profits		
less recognised losses to date	**657,905**	561,603
Less: Progress billings	**(623,567)**	(557,188)
	34,338	4,415

Included in the amounts due from customers for contract works was an amount of HK$7,618,000 wtih 廣州普邦園林股份有限公司, a shareholder of the Company for the services rendered by the Group.

19. TRADE RECEIVABLES

	Group 2014 HK$'000	2013 HK$'000
Trade receivables	**66,884**	58,923
Impairment	**(13,055)**	(10,854)
	53,829	48,069

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. 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 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 receivable balances. Trade receivables are non-interest-bearing.

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

	Group 2014 HK$'000	2013 HK$'000
Within 6 months	**43,303**	42,031
Over 6 months but within 1 year	**6,327**	4,285
Over 1 year but within 2 years	**3,432**	1,112
Over 2 years	**767**	641
	53,829	48,069

19. TRADE RECEIVABLES (Continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**10,854**	8,563
Impairment during the period (note 6)	**2,222**	1,991
Exchange alignment	**(21)**	300
At 31 December	**13,055**	10,854

Included in the above provision for the impairment of trade receivables is a provision for individually impaired trade receivables of HK$8,163,000 (2013: HK$10,854,000) with a carrying amount before provision of HK$8,535,000 (2013: HK$10,854,000).

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

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

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**29,083**	33,809
Less than 30 days past due	**5,170**	3,745
30 to 120 days past due	**9,051**	4,477
121 to 300 days past due	**1,365**	4,285
Over 300 days past due	**1,599**	1,753
	46,268	48,069

19. TRADE RECEIVABLES (Continued)

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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2014	2013
	HK$'000	HK$'000
Prepayments	**3,238**	8,401
Deposits and other receivables	**5,532**	4,419
	8,770	12,820

	2014	2013
	HK$'000	HK$'000
Current:		
Prepayments	**3,238**	8,401
Deposits and other receivables	**3,260**	3,086
	6,498	11,487
Non-current:		
Deposits	**2,272**	1,333
Total	**8,770**	12,820

Company

	2014	2013
	HK$'000	HK$'000
Prepayments	**425**	897

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND BANK BALANCES

Group

	2014 HK$'000	2013 HK$'000
Cash and bank balances	**81,478**	64,364
Time deposits	**40,049**	–
	121,527	64,364

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

	2014		2013	
	Original currency in'000	HK$ equivalent in'000	Original currency in'000	HK$ equivalent in'000
Cash and bank balances:				
RMB	**31,618**	**40,076**	36,021	45,817
PHP	**2,310**	**400**	–	–
USD	**4,123**	**32,077**	–	–

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.

Company

	2014 HK$'000	2013 HK$'000
Cash and bank balances	**10,708**	–
Time deposits	**40,049**	–
	50,757	–

21. CASH AND BANK BALANCES (Continued)

At 31 December 2014, the cash and bank balances of the Company denominated in Renminbi ("RMB") amounted to HK$5,022,000 (2013: Nil).

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 deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within 1 year	**2,309**	928
Over 1 year but within 2 years	**459**	108
Over 2 years but within 3 years	**–**	28
Over 3 years	**94**	66
	2,862	1,130

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

23. OTHER PAYABLES AND ACCRUALS

Group

	2014 HK$'000	2013 HK$'000
Other payables	**11,039**	24,398
Accruals	**6,093**	4,818
	17,132	29,216

Company

	2014 HK$'000	2013 HK$'000
Other payables	**308**	–
	308	–

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

24. INTEREST-BEARING OTHER BORROWING, SECURED

	Group	
	2014 HK$'000	2013 HK$'000
Other loan, secured	**–**	480

	2014 HK$'000	2013 HK$'000
Within one year	**–**	184
In the second year	**–**	219
In the third to fifth years, inclusive	**–**	77
	–	480

The Group prepaid all the interest-bearing other borrowing denominated in Hong Kong dollar during the year.

The loan was secured by a mortgage over a motor vehicle of the Group, which had a carrying value at 31 December 2013 of HK$661,000, and guaranteed by Ming Tian, a director of the Company.

25. SHARE CAPITAL AND TREASURY SHARES

Shares	No. of shares 2014	No. of shares 2013
Authorised		
Ordinary shares of HK$0.01 each	**780,000,000**	38,000,000

Issued and fully paid

	31 December 2014 No. of shares of HK$0.01 each	31 December 2014 HK$'000	31 December 2013 No. of shares of HK$0.01 each	31 December 2013 HK$'000
Ordinary shares	**400,000,000**	**4,000**	10,000	–

	Number of issued and fully paid shares	Nominal value of shares HK$'000	Share premium account HK$'000
As at 1 January 2013	–	–	–
Issue of shares (note (a))	10,000	–	–
As at 31 December 2013 and 1 January 2014	10,000	–	–
Issue of shares (note (b))	454	–	15,000
Capitalisation issue (note (c))	299,989,546	3,000	(3,000)
Issue of new shares (note (d))	100,000,000	1,000	119,000
Share issues expenses	–	–	(11,616)
As at 31 December 2014	400,000,000	4,000	119,384

Notes:

(a) The Company was incorporated on 25 November 2013 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon date of incorporation, 1 ordinary share of HK$0.01 was issued at par. On 25 November 2013, 4,999 ordinary shares of HK$0.01 were issued at par. On 2 December 2013, 5,000 shares of HK$0.01 each were issued pursuant to a share swap agreement as consideration for the acquisition by the Company of the entire issued share capital of EAI.

25. SHARE CAPITAL AND TREASURY SHARES (Continued)

(b) On 16 January 2014, pursuant to an investment agreement dated 9 December 2013 and a subscription agreement dated 9 December 2013, PBLA Limited acquired 3,100 shares of HK$0.01 each from the shareholders of the Company and subscribed for 454 new shares of HK$0.01 each at considerations of HK$91,850,000 and HK$15,000,000.

(c) On 3 June 2014, the authorised share capital of the Company was increased to 780,000,000 shares of HK$0.01 each by the creation of additional 742,000,000 shares of HK$0.01 each. Conditional on the share premium account of the Company being credited as a result of the Company's global offering, the directors were authorised to capitalised HK$2,999,895 standing to the credit of the Company's share premium account towards paying up in full at par of 299,989,546 shares of the Company of HK$0.01 each.

(d) In June 2014, 1,000,000,000 new ordinary shares of HK$0.01 each were issued at HK$1.2 each by the Company for a total consideration HK$120,000,000, resulting in a share premium of HK$119,000,000 before netting off share issue cost of HK$11,616,000 upon global offering of the Company.

	No. of shares of HK$0.01 each	HK$'000
Shares repurchased	15,694,000	157

The Company repurchased a total of 15,694,000 ordinary shares of the Group of HK$0.01 each at a total consideration of HK$16,213,000 during the year. The repurchased shares have not been cancelled and will be used for a share award scheme of the Company under which the repurchased shares will be granted to the eligible employees of the Group and persons (including without limitation any executive director) of any member of the Group; any agent or consultant to the Group and hired by the Group; and any business or joint venture partner, contractor, agent or representative, any party providing research development or technological support or any advisory, consultancy, professional services to the business of the Group, any investor, supplier, vendor, developer or licensor, licensee, wholesaler, retailer, trader, franchisor/ee, consignor/ee or distributor of goods or services or other parties, provided that any such party shall have a contractual relationship with the Group (collectively referred to as "Eligible Persons"). Further detail is set out in note 34(b). The consideration paid in excess of the par value of the Company's shares repurchased of approximately HK$16,056,000 was debited to the share premium.

25. SHARE CAPITAL AND TREASURY SHARES (Continued)

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 ("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 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 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 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 Company's shares, it shall specify the maximum amount of funds to be used and the range of prices at which such Company's shares are to be purchased. The trustee may not incur more than the maximum amount of funds or purchase any Company's shares at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

Subject to the provision of the share award scheme, the Board may, from time to time at its absolute discretion, select any 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 condition 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.

25. SHARE CAPITAL AND TREASURY SHARES (Continued)

SHARE AWARD SCHEME (Continued)

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 Company's shares 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 of sale of non-cash and non scrip distribution, 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.

No shares were award during the year under the foregoing share award scheme.

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 Shares in issue as at the listing date. 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 at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

25. SHARE CAPITAL AND TREASURY SHARES (Continued)

SHARE OPTION SCHEME (Continued)

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 and 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.

During the year ended 31 December 2014, there was no option granted under the Share Option Scheme.

26. OTHER RESERVES

GROUP

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 48 to 49 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.

26. OTHER RESERVES (Continued)

RESERVE FUND (Continued)

Company

	Share premium account HK$'000	Retained losses HK$'000	Capital reserve HK$'000	Total HK$'000
Acquisition of a subsidiary	–	–	5,854	5,854
Loss for the period and total comprehensive income for the year	–	(2,695)	–	(2,695)
At 31 December 2013 and 1 January 2014	–	(2,695)	5,854	3,159
Issue of shares (note 25)	119,384	–	–	119,384
Shares repurchased (note 25)	(16,056)	–	–	(16,056)
Loss for the year and total comprehensive income for the year	–	(18,272)	–	(18,272)
Proposed final 2014 dividend (note 12)	–	(19,760)	–	(19,760)
At 31 December 2014	103,328	(40,727)	5,854	68,455

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 of the entire share capital of EAI.

27. ACQUISITION OF SUBSIDIARIES

On 2 January 2014, the Group acquired 99.95% of ordinary shares of EA Group International, Inc. ("EAM") at a cash consideration of PHP999,500 (equivalent to HK$174,000). EAM is engaged in design and drawing support services to the major operating subsidiaries of the Group in the Mainland China and Hong Kong. The acquisition was made as part of the Group's strategy to expand its market and cost saving. The purchase consideration for the acquisition was in the form of cash with HK$174,000 paid during 2014.

27. ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of the identifiable assets and liabilities of EAM as at the date of acquisition were as follows:

	HK$'000
Property and equipment	269
Deferred tax assets	21
Deposits	194
Cash and banks	270
Other payables and accruals	(3,670)
Tax payable	(22)
Total identifiable net assets at fair value	(2,938)
Non-controlling interest	1
	(2,937)
Goodwill on acquisition (note 28)	3,111
Satisfied by cash	174

The fair value of the deposits as at the date of acquisition amounted to HK$194,000. None of goodwill is expected to be deductible for income tax purpose.

An analysis of the cash flows in respect of the acquisition of EAM is as follows:

	HK$'000
Cash consideration	174
Cash and cash equivalents acquired	(270)
Net inflow of cash and cash equivalents included in cash flows from investing activities	(96)

Since the acquisition, EAM contributed HK$110,000 to the Group's consolidated profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue from continuing operation of the Group and the profit of the Group for the year would have been HK$241,365,000 and HK$29,599,000, respectively.

28. GOODWILL

Group

	2014 HK$'000
At 1 January	–
Acquisition of a subsidiary (note 27)	3,111
At 31 December	3,111

Impairment testing of goodwill

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. To calculate this, cash flow projections are prepared based on financial budgets as approved by the management which cover a period of ten years. The pre-tax discount rates applied to the cash flow projections is 14%.

The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the ten years 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 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.

29. PLEDGE OF ASSETS

Details of the Group's assets pledged are included in note 14 to the financial statements.

30. OPERATING LEASE ARRANGEMENTS

AS LESSEE

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**15,762**	11,673
In the second to fifth years, inclusive	**18,296**	9,575
	34,058	21,248

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

Group

(a) Transaction with related parties:

	Notes	**2014 HK$'000**	2013 HK$'000
Contract revenue from 廣州普邦園林股份有限公司 ("Pubang")	(i)	**3,188**	–
Rental expenses to directors	(ii)		
Andross Chan		**514**	601
Ming Tian		**340**	601

(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 to (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 derived subcontracting service fee income from Pubang for the year ended 31 December 2014 amounting to HK$3,188,000 (2013: Nil).

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

(ii) 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.

The related party transactions with the two directors constitute exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances with related parties:

	2014 HK$'000	2013 HK$'000
Amount due from a related company:		
Pubang	**19**	–
Amount due from a director:		
Andross Chan	**–**	52

The amounts due from a related company and a director are unsecured, interest-free and repayable on demand.

Amounts disclosed pursuant to section 161B of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

Maximum amount due from a related company and a director during the year

	2014 HK$'000	2013 HK$'000
Pubang	**2,686**	–

	31 December 2014 HK$'000	Maximum amount outstanding during the year HK$'000	1 January 2014 HK$'000
Andross Chan	–	52	52

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

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**11,274**	12,176
Performance related bonuses	**300**	–
Pension scheme contributions	**305**	614
Total compensation paid to key management personnel	**11,879**	12,790

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

32. 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:

Group

	2014 HK$'000	2013 HK$'000
Financial assets - Loans and receivables		
Trade receivables	**53,829**	48,069
Financial assets included in prepayments, deposits and other receivables	**1,767**	1,419
Amount due from a related company	**19**	–
Amount due from a director	**–**	52
Cash and bank balances	**121,527**	64,364
	177,142	113,904
Financial liabilities at amortised cost		
Trade payables	**2,862**	1,130
Financial liabilities included in other payables and accruals	**11,039**	24,398
Interest-bearing other borrowing (note 24)	**–**	480
	13,901	26,008

32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

	2014 HK$'000	2013 HK$'000
Financial assets - Loans and receivables		
Amounts due from subsidiaries	**40,138**	–
Cash and bank balances	**50,757**	–
	90,895	–
Financial liabilities at amortised cost		
Amount due to a subsidiary	**4,808**	3,592
Financial liabilities included in other payables and accruals	**308**	–
	5,116	3,592

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist mainly of cash and bank balance, amounts due from a related company, amount due from a director and interest-bearing other borrowing. 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 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 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:

FOREIGN CURRENCY RISK

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FOREIGN CURRENCY RISK (Continued)

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 before tax and the Group's equity.

	Increase/ (decrease) in RMB,USD or PHP rate %	Increase/ (decrease) in profit before tax HK$'000
2014		
If the Hong Kong dollar weakens against the RMB	**5**	**418**
If the Hong Kong dollar strengthens against the RMB	**(5)**	**(418)**
If the Hong Kong dollar weakens against the USD	**5**	**1,587**
If the Hong Kong dollar strengthens against the USD	**(5)**	**(1,587)**
If the Hong Kong dollar weakens against the PHP	**5**	**4**
If the Hong Kong dollar strengthens against the PHP	**(5)**	**(4)**
2013		
If the Hong Kong dollar weakens against the USD	5	–
If the Hong Kong dollar strengthens against the USD	(5)	–

* Excluding retained profits

33. 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 balance, amount due from a related company, amount due from a director, financial assets include in prepayments, deposits and other receivables, trade 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 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 receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from receivables are disclosed in notes 19, 20 and 31 to the financial statements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 of the year based on contractual undiscounted payments.

	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 2014						
Trade payables	**2,862**	**–**	**–**	**–**	**–**	**2,862**
Other payables	**11,039**	**–**	**–**	**–**	**–**	**11,039**
	13,901	**–**	**–**	**–**	**–**	**13,901**
31 December 2013						
Trade payables	1,130	–	–	–	–	1,130
Other payables	–	24,398	–	–	–	24,398
Interest-bearing other borrowing	–	39	177	315	–	531
	1,130	24,437	177	315	–	26,059
Company						
31 December 2014						
Amount due to a subsidiary	**4,808**	**–**	**–**	**–**	**–**	**4,808**
Other payables	**–**	**308**	**–**	**–**	**–**	**308**
	4,808	**308**	**–**	**–**	**–**	**5,116**
31 December 2013						
Amount due to a subsidiary	3,592	–	–	–	–	3,592
	3,592	–	–	–	–	3,592

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 managed capital during the year.

The Group monitors capital using a gearing ratio, which is total debt represents interest-bearing other borrowing.

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

	2014 HK$'000	2013 HK$'000
Interest-bearing other borrowing (note 24)	**–**	480
Total equity	**187,768**	85,906
Gearing ratio	**0.0%**	0.6%

34. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 January 2015, Earthasia (Shanghai) Co., Ltd. entered into a memorandum of understanding with a third party independent from the Company and its connected persons to acquire 70% equity interest in a target company. The target company is engaged in landscape design and construction services. On 16 January 2015, Earthasia (Shanghai) Co., Ltd. entered into an earnest money agreement with the third party, pursuant to which Earthasia (Shanghai) Co., Ltd. shall pay a total amount of RMB5,000,000 as earnest money for the proposed acquisition of equity interest in the foregoing target company.

(b) On 16 January 2015, the Group granted an aggregate 3,289,000 shares of the Company to 330 employees at nil consideration pursuant to the share award scheme of the Company (note 25) set up on 21 August 2014. Among the shares, the vesting date of a total of 2,059,000 shares will be on 16 January 2016 and the vesting date of a total of 1,230,000 shares will be on 16 January 2015.

(c) On 27 February 2015, Earthasia (Shanghai) Co., Ltd. received an official notice from the State Administration of Taxation of Shanghai Pudong New Area sub-bureau agreeing that Earthasia (Shanghai) Co., Ltd. is entitled to enjoy preferential treatment on corporate income tax for three years from 1 January 2014 to 31 December 2016 on the basis that Earthasia (Shanghai) Co., Ltd. was recognised in October 2014 as a high and new technology enterprise. In accordance with the relevant PRC laws and regulations, Earthasia (Shanghai) Co., Ltd. is entitled to a preferential treatment on corporate income tax enjoyed by high and new technology enterprises for three years from 1 January 2014 to 31 December 2016. The applicable enterprise income tax rate for Earthasia (Shanghai) Co., Ltd. reduces from 25% to the preferential tax rate of 15% for the three years from 1 January 2014 to 31 December 2016.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2015.

Four-Year Financial Summary

	Year ended December 31			
	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**241,365**	217,048	172,045	179,232
Cost of sales	**(113,108)**	(97,790)	(88,036)	(80,981)
Gross Profit	**128,257**	119,258	84,369	98,251
Other income and gains	**9,918**	6,143	8,752	1,267
Selling and marketing expenses	**(8,424)**	(6,007)	(4,912)	(6,357)
Administrative expenses	**(85,482)**	(62,736)	(48,527)	(41,505)
Finance costs	**(25)**	(57)	(507)	(52)
Other expenses	**(3,167)**	(2,387)	(4,297)	(3,653)
Profit before tax	**41,077**	54,214	34,878	47,951
Income tax expense	**(11,478)**	(16,446)	(8,934)	(13,632)
Profit for the period	**29,599**	37,768	25,944	34,319
Attributable to:				
Owners of the Company	**28,020**	37,893	25,944	34,319
Non-controlling interests	**1,579**	(125)	–	–
Other comprehensive income/(loss)	**93**	1,505	(24)	2,358
Total comprehensive income for the period	**29,692**	39,273	25,920	36,677
Attributable to:				
Owners of the Company	**28,103**	39,400	25,920	36,677
Non-controlling interests	**1,589**	(127)	–	–
ASSETS AND LIABILITIES				
Non-current assets	**19,525**	12,827	11,049	10,077
Current assets	**250,268**	189,861	123,575	121,018
Total assets	**269,793**	202,688	134,624	131,095
Non-current liabilities	**2,197**	3,778	2,392	2,443
Current liabilities	**79,828**	113,004	70,802	78,742
Total liabilities	**82,025**	116,782	73,194	81,185
Net assets	**187,768**	85,906	61,430	49,910
Total equity attributable to owners of the Company	**185,989**	85,715	61,430	49,910