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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

2017 Annual Report

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

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Financial Highlights

FINANCIAL HIGHLIGHTS

Results		For the year ended 31 December		
		2017	2016	Change
Revenue	*HK$'000*	**128,671**	183,774	-30.0%
Gross profit	*HK$'000*	**44,997**	89,764	-49.9%
Loss attributable to owners of the parent	*HK$'000*	**(57,313)**	(9,365)	-512.0%
Basic loss per share attributable to ordinary equity holders of the parent	*HK cents*	**(13.9)**	(2.3)	-504.3%

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Hing Tat Patrick
Mr. Chan Yick Yan Andross
Mr. Tian Ming
Mr. Yang Liu (appointed on 3 July 2017)
Mr. Qiu Bin (appointed on 31 July 2017)

Non-executive Directors

Mr. Ma Lida
Mr. Michael John Erickson (retired on 24 June 2017)
Ms. Huang Yaping (retired on 24 June 2017)

Independent non-executive Directors

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

COMPANY SECRETARY

Ms. Chan Chi Hing

REGISTERED OFFICE

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

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE WEBSITE ADDRESS

www.ea-dg.com

AUTHORISED REPRESENTATIVES

Ms. Chan Chi Hing
Mr. Chan Yick Yan Andross

ALTERNATES TO AUTHORISED REPRESENTATIVES

Mr. Tian Ming
Mr. Lau Hing Tat Patrick

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

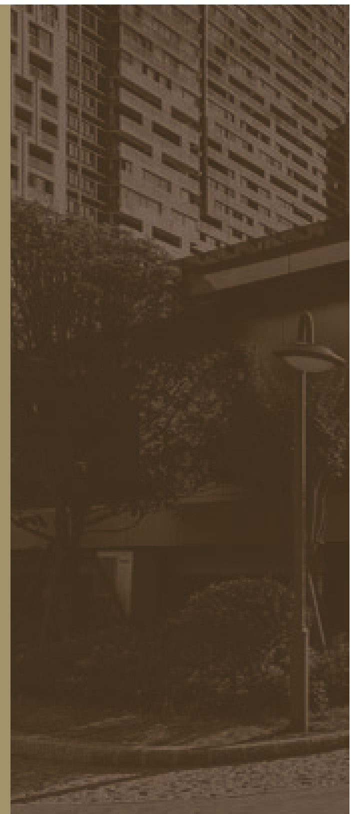
LEGAL ADVISER AS TO HONG KONG LAWS

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

AUDITOR

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

CHAIRMAN'S STATEMENT







Chairman's Statement

Lau Hing Tat Patrick, JP

Chairman

Dear Shareholders:

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

In its over 30-year history, our Group has experienced significant growth of practice and expansion leading to currently more than ten offices across PRC and Hong Kong with over 400 staff. Our 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.

2017 was still a challenging year due to difficult market environment and our Group faced intense competition. Revenue decreased to approximately HK$128.7 million for the year ended 31 December 2017, representing a decrease of approximately 30.0%, as compared with that of approximately HK$183.8 million for the year ended 31 December 2016. Gross profit decreased to approximately HK$45.0 million for the year ended 31 December 2017, representing a decrease of approximately 49.9%, as compared with that of approximately HK$89.8 million for the year ended 31 December 2016. Loss attributable to owners of the parent was approximately HK$57.3 million for the year ended 31 December 2017, as compared with a loss attributable to owners of the parent of approximately HK$9.4 million for the year ended 31 December 2016, mainly due to the fierce competition in the industry and slowdown in progress of our landscape architecture projects.

Chairman's Statement

It is expected that 2018 continues to be challenging as the landscape architecture industry has become highly competitive in terms of project pricing and talented staff retention in recent years. For many years, our Group has been positioned to pursue higher quality of works for higher fee in servicing high-end clients. Nevertheless, the market competitiveness of our Group may still be weakened by market new entrants who may have lower compliance requirement and therefore higher flexibility in competing with our Group particularly in the second and third tier cities.

In September and December 2017, our Group completed the acquisition of Thai Gallery (HK) Limited and Suzhou Industrial Park Wenlvge Hotel Management Company Limited respectively and commenced our catering business segment. Our Group has been provided a profit guarantee of RMB6 million and RMB2.57 million respectively for the year ending 31 December 2018 according to the corresponding acquisition agreements.

In January 2018, our Group completed the disposal of EA Group International, Inc., our Philippines subsidiary, which served as a cost centre to provide inter-group drawing, design and architectural support across our Group. In view of the continuous decrease in revenue, we believe the disposal could enhance the cost structure of our Group whilst enhancing the quality of our design by centralising the design works in Hong Kong and the PRC.

In January 2018, our Group also entered into an agreement to acquire 100% issued share capital of Think High Global Limited at a consideration of HK$692,000,000, through which our Group will have an opportunity to invest in the graphene business. Graphene is known as the thinnest materials in the world but 200 times stronger than steel. Graphene is a superb electrical and thermal conductor. The PRC contains second largest amount of graphite resource among other countries. It counts around 33% of the graphite in the world. In 2016, the "13th FYP" National Strategic Emerging Industry Plan stated the Chinese government will support the application of graphite to achieve industrial scale through increased funding and the establishment of innovation alliances and specialized industry bases. The acquisition is in progress and targeted to be completed in 2018.

Without compromising a corporate strategy to generate or preserve value over the longer term, we will continue to explore new business and investment opportunities that may generate additional return to the shareholders of our Group through acquisitions or strategic cooperation with business partners.

On behalf of the Board, I would like to thank the management team and staff for their dedication and contribution towards our 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 our Group and bringing munificent returns to our shareholders.

Lau Hing Tat Patrick, JP
Chairman

Hong Kong, 28 March 2018





MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

Chan Yick Yan Andross
Chief Executive Officer

BUSINESS REVIEW

The Group's business model and revenue and cost structure has no significant change during the reporting period and up to the date of this annual report. For the year ended 31 December 2017, landscape architecture business contributed approximately 95.9% of the total revenue of the Group.

Landscape Architecture Business

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

In 2017, residential development projects continued to be the largest segment in terms of revenue, which accounted for approximately 48.2% (2016: 42.8%) of the total revenue among the landscape architecture business. Infrastructure and public open space projects continued to be the second largest segment in terms of revenue, which accounted for approximately 23.9% (2016: 32.8%) of the total revenue among the landscape architecture business.

For the year ended 31 December 2017, the Group entered into 131 new contracts with a total contract sum of approximately HK$162.9 million for projects located in the PRC and 29 new contracts with a total contract sum of approximately HK$27.3 million for projects located in Hong Kong and others. Geographically, approximately 85.6% of the new contract sum represented projects located in the PRC and approximately 14.4% represented projects located in Hong Kong in terms of contract sum.

The number of new contracts and contract sum entered by the Group during 2015 to 2017 are set out as follows:

Year ended 31 December	No. of new contracts	Contract sum (HK$'million)
2017	160	190.2
2016	147	131.0
2015	195	219.8

Catering Business

In September and December 2017, the Group completed the acquisition of Thai Gallery (HK) Limited and Suzhou Industrial Park Wenlvge Hotel Management Company Limited respectively and commenced its catering business.

Thai Gallery (HK) Limited mainly operates a restaurant serving Thai cuisine in Italy under the brand name "Thai Gallery". Thai Gallery is a reputable brand with its first restaurant founded in Jing'an Park of Shanghai, the PRC in 2000. The Thai Gallery restaurant in Shanghai was awarded the Best Southeast Asian Restaurant (Reader's Pick) in 2016 organised by the website Shanghai WOW!

Suzhou Industrial Park Wenlvge Hotel Management Company Limited mainly operates restaurants serving Japanese ramen, Japanese curry and other Japanese-style dishes under the Ikaruga brand ("斑鳩拉麵") and Go!Go!Curry! ("果果咖哩") in the PRC.

During the year ended 31 December 2017, they together contributed approximately HK$5.3 million, represented by approximately 4.1% of the total revenue of the Group.

Despite a challenging year in 2017, the management of the Company made great efforts to increase the source of revenue and returns to the shareholders through exploration of new business development opportunities.

FINANCIAL REVIEW

Revenue

Revenue decreased to approximately HK$128.7 million for the year ended 31 December 2017, representing a decrease of approximately 30.0%, as compared with that of approximately HK$183.8 million for the year ended 31 December 2016. The decrease was mainly attributable to (i) the drop of actual billing to our clients; and (ii) the slowdown in progress of our landscape architecture projects.

Cost of services

Cost of services decreased to approximately HK$83.7 million for the year ended 31 December 2017, representing a decrease of approximately of 11.0%, as compared with that of approximately HK$94.0 million for the year ended 31 December 2016. Cost of services mainly represented staff cost in respect of landscape architecture business and cost of inventories in respect of catering business. Whereas the decrease in staff cost was relatively mild, during the year the Group recognised an impairment of gross amount due from customers for contract work of approximately HK$19.0 million (2016: HK$7.0 million) in cost of services due to slowdown of progress billing to clients. Therefore, the overall decrease in cost of services for the year was less than the decrease in revenue.

Gross profit and gross profit margin

As a result, gross profit decreased to approximately HK$45.0 million for the year ended 31 December 2017, representing a decrease of approximately 49.9%, as compared with that of approximately HK$89.8 million for the year ended 31 December 2016.

Gross profit margin decreased by approximately 13.8 percentage points to approximately 35.0% for the year ended 31 December 2017, as compared with that of approximately 48.8% for the year ended 31 December 2016. The significant drop of gross profit margin reflected (i) the fierce competition in the landscape architecture industry; and (ii) the lengthened time of completion in servicing our landscape project clients.

Selling, Marketing, Administrative and other expenses

Selling and marketing expenses increased to approximately HK$12.7 million for the year ended 31 December 2017, representing an increase of approximately 49.4%, as compared with that of approximately HK$8.5 million for the year ended 31 December in 2016. The increase was generally due to increase in headcount from 323 to 465 this year and the then salary expenses along with the commencement of catering business.

Administrative expenses slightly decreased to approximately HK$81.5 million for the year ended 31 December 2017, representing a decrease of approximately 4.3%, as compared with that of approximately HK$85.2 million for the year ended 31 December in 2016. The decrease was generally due to a save up of share-based payment expenses of approximately HK$9.5 million incurred in 2016 but not in 2017, which was partly offset by the increase in salary expenses and legal and professional expenses attributable to the catering business and the potential acquisition of Think High Global Limited in connection with graphene business.

Other expenses decreased to approximately HK$11.5 million for the year ended 31 December 2017, representing a decrease of approximately 23.8%, as compared with that of approximately HK$15.1 million for the year ended 31 December in 2016. The overall decrease was generally due to an exchange loss in 2016 but a gain in 2017 resulted from the appreciation in RMB.

Net profit

As a result of the foregoing, the loss attributable to owners of the parent was approximately HK$57.3 million for the year ended 31 December 2017, as compared with loss attributable to owners of the parent of approximately HK$9.4 million for the year ended 31 December 2016.

Liquidity, financial resources and gearing

The Group's objectives for capital management are to safeguard the Group's ability to continue as a going concern in order to maintain an optimal capital structure and reduce the cost of capital, while maximising the return to shareholders through improving the debt and equity balance.

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Current assets	**226,321**	201,205
Current liabilities	**89,981**	59,271
Current ratio	**2.5x**	3.4x

The current ratio of the Group at 31 December 2017 was approximately 2.5 times as compared to that of approximately 3.4 times at 31 December 2016. The decrease was mainly due to increase in other payables arising from the catering segment and advance receipt of money from exercise of share options.

At 31 December 2017, the Group had a total cash and bank balances of approximately HK$112.4 million (31 December 2016: HK$70.1 million). The cash and bank balances were mainly held in HKD and RMB.

At 31 December 2017, the Group's gearing ratio was approximately 44.8% (represented by total interest-bearing borrowings at the end of the period divided by total equity at the end of the respective period multiplied by 100%) (31 December 2016: zero).

The capital structure of the Company comprises issued ordinary shares and debt securities. As of 31 December 2017, the Company had 422,000,000 ordinary shares in issue and issued corporate bond of HK$63,500,000 in face value. Of the issued bond, HK$5,000,000 of which carried a coupon rate of 9% per annum and HK$58,500,000 of which carried a coupon rate of 6% per annum. Both of them had a duration of two years from the date issued.

The tables below summarise the borrowings of the Group as at 31 December 2017. All the bonds were denominated in HKD.

	Not exceeding 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing other borrowings	—	63,500	—	—	63,500

As at the date of this annual report, the Group had in total issued corporate bonds of HK$5 million and HK$100 million with interest rates of 9% per annum and 6% per annum respectively. Both of them had a duration of two years from the date issued.

In January 2018, our Group also entered into an agreement to acquire 100% issued share capital of Think High Global Limited at a consideration of HK$692,000,000 in relation to the graphene business. Subject to final completion, the Group expected to further issue corporate bonds of approximately HK$200 million, issue 86,000,000 new shares as consideration shares, and issue convertible bonds in the principal amount of HK$210,000,000 in fulfilling the payment of consideration.

Contingent liabilities

The Group may have to pay additional consideration in the acquisitions of Thai Gallery (HK) Limited and Suzhou Industrial Park Wenlvge Hotel Management Company Limited. Save for the above, the Group had no significant contingent liabilities as at 31 December 2017. For details of the acquisition of Thai Gallery (HK) Limited, please refer the Company's announcements dated 6 February 2017, 14 February 2017, 17 March 2017, 25 August 2017, 12 December 2017 and 14 December 2017. For details of the acquisition of Suzhou Industrial Park Wenlvge Hotel Management Company Limited, please refer to the Company's announcements dated 29 March 2017, 1 December 2017 and 4 December 2017.

Pledge of assets

The Group had no significant pledge of assets as at 31 December 2017.

Foreign exchange exposure

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

Human resources and employees' remuneration

As at 31 December 2017, the Group employed around 465 employees (31 December 2016: 323 employees). Employees are remunerated according to nature of the job, market trend, and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

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

One share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. During the year ended 31 December 2017, there was no share option granted (2016: 14,290,000 share options) under the Share Option Scheme.

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

ADVANCES TO AN ENTITY

As disclosed in the announcements of the Company dated 20 September 2016, 24 January 2017 and 8 December 2017 (the "Announcements"), the Company as the Lender entered into a loan agreement (the "Loan Agreement") on 24 November 2015 with the borrower pursuant to which the Lender agreed to provide a revolving loan facility (the "Revolving Loan Facility") in the amount of HK$14,000,000 at an interest rate of 30% per annum during the availability period of 14 months from 24 November 2015 to 23 January 2017. On 24 January 2017, the Company entered into the renewed loan agreement (the "Renewal Agreement") with the Borrower pursuant to which the Lender agreed to renew the Revolving Loan Facility in the amount of HK$14,000,000 at a reduced interest rate of 15% per annum for a further 18 months from 24 January 2017 to 23 July 2018. On 8 December 2017, the Company further entered into the second renewal agreement (the "Second Renewal Agreement") with the Borrower pursuant to which the Lender agreed to renew the unsecured Revolving Loan Facility by increasing the amount from HK$14,000,000 to HK$50,000,000 at an interest rate reduced from 15% to 12% per annum during the availability period from 8 December 2017 to 30 June 2019. Subject to the terms and conditions, the Renewed Revolving Loan Facility can be drawn down at any time for one year during the availability period. Set out below are the principal terms of each of the loan agreements:

	Loan Agreement	Renewal Agreement (Supersede the Loan Agreement)	Second Renewal Agreement (Supersede the Renewal Agreement)
Date of agreement:	24 November 2015	24 January 2017	8 December 2017
Borrower:	Earthasia Worldwide Holdings Limited		
Revolving facility amount:	Up to HK$14,000,000	Up to HK$14,000,000	Up to HK$50,000,000
Interest rate per annum:	30%	15%	12%
Availability period:	24 November 2015 to 23 January 2017	24 January 2017 to 23 July 2018	8 December 2017 to 30 June 2019
Repayment term:	One year		
Repayment:	Borrower shall repay the interests with the principal amount at loan maturity		
Early repayment:	The Borrower may prepay all or any part of a drawdown prior to the maturity date without penalty. Any prepayment of a drawdown will refresh the available amount of the Revolving Loan Facility for drawing. Any early repayment shall first settle all interests accrued.		
Collateral:	Nil		
Other terms and conditions:	The Lender shall have absolute discretion as to whether to make available any sum for any drawdown under the Renewed Agreement.		

The advance was made on the basis of the Company's credit assessments on the Borrower's financial strength, repayment history and the tenure of the advance. The Company considered that the risks and return involved in the advance to the Borrower are justifiable. For further details, please refer to the Announcements. As of 31 December 2017, there was zero loan balance due from the borrower to the Company.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are set out in note 45 to the consolidated financial statements in this annual report.

PROSPECTS

2017 was a challenging year to the Group due to fierce competition in the traditional landscape architecture industry. The slowdown in progress of our landscape architecture projects and the lengthened time of completion in servicing our landscape project clients reduced the gross profit margin of the Group. Although there are signs of recovery in the market, it is expected that 2018 will still be challenging to the Group as the landscape architecture industry is getting more and more competitive. As opposed to compromise a lower fee, the Group has been pursuing a higher quality of works to attract high-end clients. The Group will strengthen its efforts in billing and collecting the long outstanding receivables. Besides, the Directors will pay close attention to the cost structure and resources utilization of the Group. With above measures and joint efforts of our management and staff, we believe the Group will have improvements in 2018.

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

In September and December 2017, the Group completed the acquisition of Thai Gallery (HK) Limited and Suzhou Industrial Park Wenlvge Hotel Management Company Limited respectively and commenced its catering business. The Group was provided a profit guarantee of RMB6 million and RMB2.57 million respectively in the year ending 31 December 2018 according to the corresponding acquisition agreements. The consumer sector of the PRC is growing rapidly. As disposable income rises, PRC people will spend more on leisure and dining out. The acquisitions offer a chance to tap into the consumer sector, which is believed to be the main driver of the PRC's economy. The Directors believe that the acquisitions can broaden the revenue streams and bring greater return to the shareholders.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lau Hing Tat Patrick (劉興達), JP, aged 58, is the Chairman of the Board and an executive Director since 25 November 2013. He has over 34 years of experience in operation and management in landscape architecture service industry. Mr. Lau joined the 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 the director of Earthasia Limited since February 1987, the director of Earthasia (International) Limited since October 2004, the director and legal representative of Earthasia (Shanghai) Co. Ltd. since November 2004, the director of Yummy Holdings Limited since March 2015, the director of Upworth Capital Limited since August 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Lau acts as director or senior executive for the purpose of overseeing the management of such businesses.

Prior to joining the 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 Urban Forestry Advisory Panel. He was a district councillor of the Hong Kong Eastern District Council from 2004 to 2011. He was also a member of the following institutions, namely, (i) the Appeal Board Panel (Town Planning) from December 1999 to December 2005, (ii) the Community Involvement Committee on Greening from March 2011 to February 2013, (iii) the Harbour-front Enhancement Committee from May 2004 to August 2009, (iv) the Harbourfront Commission from July 2010 to June 2013, (v) the Lands and Development Advisory Committee from July 2009 to July 2015. Mr. Lau was appointed Justice of the Peace in July 2017.

Mr. Lau does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Lau held 5,008,000 Shares by himself and 46,003,444 Shares through LSBJ Holdings Limited. Mr. Lau is the beneficial owner of the entire issued capital of LSBJ Holdings Limited. Besides, Mr. Lau's wife, Ms. Keung Wai Fong Tracy, also held 1,980,000 shares of the Company, which is approximately 0.46% of the entire issued share capital. Under the SFO, Mr. Lau, being the spouse of Ms. Keung, is deemed to be interested in all the shares that Ms. Keung is interested in, and vise versa. Accordingly, taking into account of Ms. Keung's interest in the Company, Mr. Lau's interest in the Company is approximately 12.20%.

Biographies of Directors and Senior Management

Mr. Chan Yick Yan Andross (陳奕仁), aged 55, is the Chief Executive Officer and an executive Director since 25 November 2013. He has over 32 years of experience in operation and management in landscape architecture service industry. He first joined the 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 been the director of Earthasia Limited since December 1995; the director of Earthasia (International) Limited since October 2004; the director of Earthasia (Shanghai) Co. Ltd. since November 2004; the director and legal representative of Earthasia (Xiamen) Co. Ltd. since March 2013; the director of Yummy Holdings Limited since March 2015; the director of Upworth Capital Limited since August 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Chan acts as director or senior executive for the purpose of overseeing the management of such businesses.

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

Mr. Chan does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Chan held 4,204,000 Shares by himself and 94,006,887 Shares through CYY Holdings Limited. Mr. Chan is the beneficial owner of the entire issued capital of CYY Holdings Limited. Under the SFO, Mr. Chan's total interest in the Company is 98,210,887 Shares, representing approximately 22.61% of the issued share capital of the Company.

Biographies of Directors and Senior Management

Mr. Tian Ming (田明), aged 62, is an executive Director since 25 June 2014. He has over 30 years of experience in architecture-related and landscape architecture industry. Mr. Tian joined the Group in June 2006 as the director of Earthasia (Shanghai) Co., Ltd. Prior to joining the 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).

Mr. Tian does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Tian held 3,930,000 Shares by himself, representing approximately 0.90% of the issued share capital of the Company.

Mr. Yang Liu (楊鎏), aged 44, is an executive Director since 3 July 2017. Mr. Yang has been the director of Upworth Capital Limited since August 2017; the business director of Earthasia Limited since October 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Yang acts as director or senior executive for the purpose of overseeing the management of such businesses. He graduated from Shaanxi University of Technology (formerly known as Shaanxi Institute of Technology) with a bachelor degree in engineering, specializing in auto-control. Mr. Yang has more than 10 years' experience in corporate and capital management in semi-conductor industry, and international trading of electronic products and bulk commodity. Mr. Yang is currently the general manager, the executive director and the legal representative of a company in the People's Republic of China with its principal activities in semi-conductor, and international trading of electronic products and bulk commodity. Mr. Yang has been a non-executive director of the board of directors of National United Resources Holdings Limited (stock code: 254) from 17 July 2015 to 16 May 2017, shares of which are listed on the Main Board of the Stock Exchange. Mr. Yang has also been an executive director, the chief executive officer and chairman of the board of directors of Hang Tang International Holdings Limited (stock code: 1187) from 18 November 2013 to 25 July 2016, shares of which are listed on the Main Board of the Stock Exchange.

Mr. Yang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Yang does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

Mr. Qiu Bin (仇斌), aged 46, is an executive Director since 31 July 2017. Mr. Qiu has been the director of Upworth Capital Limited since August 2017; the business director of Earthasia Limited since October 2017. The aforementioned companies are principal subsidiaries, among others, of the Group in which Mr. Qiu acts as director or senior executive for the purpose of overseeing the management of such businesses. He graduated from Beijing Union University with a bachelor degree in Business Administration. From 1992 to 2003, he was the department manager at the Bank of China Limited, Beijing Branch responsible for a wide range of banking and credit duties. From 2004 to 2008, he joined the Shanghai Pudong Development Bank, Beijing Branch and served as the business manager in charge of marketing and credit functions. From 2009 to 2012, Mr. Qiu became the deputy general manager and director of the finance department in Beijing Dong Fang Chengrui Investment Consultants, Ltd. ("Dong Fang"). He was responsible for the overall operation and strategic decisions of the foreign investment and financing businesses of Dong Fang. Mr. Qiu is well versed with Chinese domestic banking system, settlement, foreign exchange and credit areas. He also has extensive experience in the fields of financial management and securities investment. Mr. Qiu has been an executive director of the board of directors of Heng Xin China Holdings Limited (stock code: 8046) from 1 January 2013 to 2 June 2017, shares of which are listed on the GEM Board of the Stock Exchange.

Mr. Qiu does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Qiu does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

NON-EXECUTIVE DIRECTOR

Mr. Ma Lida (馬力達), aged 37, is a non-executive Director since 24 February 2014. He has over 11 years of experience in financial management. He has been the deputy general manager and board secretary of Pubang Landscape Architecture Company Limited (廣州普邦園林股份有限公司) ("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.

Mr. Ma does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Ma held 1,000,000 Shares by himself, representing approximately 0.23% of the issued share capital of the Company.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Ip Fong Sin (談葉鳳仙), aged 51, is an independent non-executive Director since 3 June 2014. She has over 13 years of experience in legal practice specialising corporate and commercial litigation matters. She was admitted as a solicitor of Hong Kong in 2004. Ms. Tam obtained her bachelor's degree in Law from the University of Wolverhampton in July 1999. She has also completed her postgraduate certificate in Laws from the University of Hong Kong in September 2002. Ms. Tam is currently the corporate counsel of the Paul Y. Engineering Group.

Ms. Tam does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Ms. Tam does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

Mr. Wong Wang Tai (黃宏泰), aged 53, is an independent non-executive Director since 3 June 2014. He has over 26 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 up to 8 December 2016, a company listed on the Stock Exchange (stock code: 462) engaging in trading of food and beverage and dairy related products, and manufacturing and sales of beverage and dairy related products, since 28 August 2013.

Mr. Wong does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Wong does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

Mr. Wang Yuncai (王雲才), aged 50, is an independent non-executive Director since 3 June 2014. He has been studying and teaching for architecture and urban planning for over 16 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).

Mr. Wang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

As at the date of this annual report, Mr. Wang does not have any interests or short positions in any share, underlying share or debenture of the Company or any of its associate corporations within the meaning of Part XV of the SFO.

Biographies of Directors and Senior Management

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors are set out below:

Directors	Details of Changes
Lau Hing Tat Patrick	Appointed as Justice of the Peace on 1 July 2017 Ceased to act as a member of Town Planning Board on 1 April 2018
Yang Liu	Appointed as executive Director on 3 July 2017
Qiu Bin	Appointed as executive Director on 31 July 2017
Michael John Erickson	Retired as non-executive Director on 24 June 2017
Huang Yaping	Retired as non-executive Director on 24 June 2017

In respect of the change in emoluments of Directors and chief executive, please refer to note 8 to the consolidated financial statements in this annual report.

SENIOR MANAGEMENT

Mr. Kwok Ka Hei (郭嘉熙), aged 36, is the chief financial officer of the Company since 28 March 2014. He has over 12 years of experience in corporate finance and accounting profession. He joined the Group in December 2013 as the chief financial officer of Earthasia Limited. Prior to joining the Group, Mr. Kwok served in GF Capital (Hong Kong) Limited in corporate finance department from October 2010 to December 2013. Prior to that, he served in KGI Capital Asia Limited in the investment banking department from December 2007 to October 2010. He also worked in PricewaterhouseCoopers Ltd. from September 2005 to November 2007. Mr. Kwok obtained his bachelor's degree of Arts with a major in Accountancy from the Hong Kong Polytechnic University in December 2005. He has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since July 2009 and a Financial Risk Manager of Global Association of Risk Professionals since April 2008.

Ms. Chan Chi Hing (陳志卿), aged 44, is the company secretary of the Company since 24 February 2014. Ms. Chan joined the Group in November 2004 as the director and supervisor of Earthasia (Shanghai) Co., Ltd. until June 2006. She later served in Earthasia Limited in February 2005 as associate (finance) responsible for financial management. She has been a member of the Association of Chartered Certified Accountants (UK) since June 2010, a member of the Hong Kong Institute Certified Public Accountants since May 2010 and an associate of the Taxation Institute of Hong Kong since April 2011. Ms. Chan obtained her bachelor's degree in accounting from the University of Hong Kong in December 2005.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the reporting period ended 31 December 2017. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiries to all Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2017.

CORPORATE STRATEGY

The primary objective of the Group is to generate long-term return for our shareholders. The Group's strategy is to place equal emphasis on achieving sustainable business model with recurring earnings and maintaining robust financial profile. The Chairman's Statement, Management Discussion and Analysis, and the Directors' Report throughout this annual report contain discussions and analysis of the Group's performance and the basis on which the Group generates or preserves value over the longer term, and the basis on which the Group will execute its strategy for delivering the Group's objectives.

BOARD OF DIRECTORS

The Board currently consists of nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors. Each executive Director and non-executive Director is suitably qualified for his/her position, and has sufficient experience and time to hold the position so as to carry out his/her duties effectively and efficiently. Throughout the year ended 31 December 2017, the Company has three independent non-executive Directors representing not less than one-third of the Board.

Each of the independent non-executive Directors has confirmed by annual confirmation that he/she has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst the three independent non-executive Directors, Mr. Wong Wang Tai has the appropriate professional qualifications on accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Corporate Governance Report

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 Mr. Yang Liu (appointed on 3 July 2017) Mr. Qiu Bin (appointed on 31 July 2017)
Non-executive Directors	Mr. Ma Lida Mr. Michael John Erickson (retired on 24 June 2017) Ms. Huang Yaping (retired on 24 June 2017)
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, 4 June 2018, being eligible, offer themselves for re-election pursuant to Article 108(a) of the articles of association of the Company (the "Articles"). In addition, in accordance with the Articles, Mr. Yang Liu and Mr. Qiu Bin, who were appointed as executive Directors with effect from 3 July 2017 and 31 July 2017 respectively, will hold office until the forthcoming AGM and, being eligible, will offer themselves for re-election.

The Board is responsible for developing the Group's strategy, monitoring the Group's operational and financial performance, and ensuring effective governance and sound internal control and risk management systems are in place. Through the Board committees, the Board leads and provides direction to management by laying down strategies and overseeing their implementation.

The management is delegated with the authority and responsibility by the Board for the management, execution and administration of the Group. Under the leadership of the Chief Executive Officer, the management is responsible for the day-to-day management of the Group's businesses and implementation of the strategies approved by the Board and reports to the Chief Executive Officer regularly. The Chief Executive Officer in turn reports to the Board on the progress of approved strategies, business performance and development of the Group.

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

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

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

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

Biographies of the current Directors are set out on the section headed "Biographies of Directors and Senior Management" of this annual report.

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

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

BOARD MEETING

The Board is scheduled to meet regularly at least four times a year, and Directors will receive at least 14 days prior written notice of regular Board 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. If necessary, ad-hoc meetings will also be convened to discuss the overall strategy as well as the operation and financial performance of the Group. 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. The Chairman also met with other non-executive Directors occasionally without the presence of the executive Directors to consider issues in an informal setting. 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 Board held six meetings in 2017. The annual general meeting of the Company was held on 5 June 2017 with the attendance of the external auditor to answer question.

The attendance of individual directors at the Board and its committee meetings, and the annual general meeting held in 2017 is set out in the following table:

	Meetings attended in 2017[1]				
Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Executive Directors					
Mr. Lau Hing Tat Patrick *(Chairman of the Board and the Nomination Committee)*	6/6	–	2/2	–	1/1
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	6/6	–	–	2/2	1/1
Mr. Tian Ming	6/6	–	–	–	0/1
Mr. Yang Liu[2]	3/3	–	–	–	–
Mr. Qiu Bin[3]	3/3	–	–	–	–
Non-executive Directors					
Mr. Ma Lida	6/6	0/3	–	–	0/1
Mr. Michael John Erickson[4]	2/2	–	–	–	1/1
Ms. Huang Yaping[4]	2/2	–	–	–	0/1
Independent non-executive Directors					
Ms. Tam Ip Fong Sin	5/6	3/3	2/2	2/2	1/1
Mr. Wong Wang Tai *(Chairman of the Audit Committee and the Remuneration Committee)*	6/6	3/3	–	2/2	0/1
Mr. Wang Yuncai	5/6	3/3	2/2	2/2	0/1

Note:

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

2. Mr. Yang Liu was appointed on 3 July 2017.

3. Mr. Qiu Bin was appointed on 31 July 2017.

4. Mr. Michael John Erickson and Ms. Huang Yaping retired on 24 June 2017.

APPOINTMENT, RE-ELECTION AND REMOVAL 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. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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	Attending/ Participating during the year ended 31 December 2017
Mr. Lau Hing Tat Patrick *(Chairman)*	A & B
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	A & B
Mr. Tian Ming	A & B
Mr. Yang Liu (appointed on 3 July 2017)	A & B
Mr. Qiu Bin (appointed on 31 July 2017)	A & B
Mr. Ma Lida	A & B
Mr. John Michael Erickson (retired on 24 June 2017)	A & B
Ms. Huang Yaping (retired on 24 June 2017)	A & B
Ms. Tam Ip Fong Sin	A & B
Mr. Wong Wang Tai	A & B
Mr. Wang Yuncai	A & B

A: Areas relating to the Group's business/Directors' duties

B: Areas relating to legal and regulatory/corporate governance practices

BOARD COMMITTEES

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

Audit Committee

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

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

During the year ended 31 December 2017, the Audit Committee held three meetings to, among others, approve the audit fee for the year ended 31 December 2017, reviewed the Group's internal control, the final results and annual report of the Group for the year ended 31 December 2016 and the interim results and interim report of the Group for the six months ended 30 June 2017, as well as other reports prepared by the external auditor covering major findings in the course of its audit/review before submission to the Board for approval.

Remuneration Committee

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

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

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

During the year ended 31 December 2017, the Remuneration Committee held two meetings to, among others, discuss and approve for recommendation to the Board the salary adjustments of Directors and senior management for the year ended 31 December 2017 and review of salary for newly appointed executive Directors.

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

During the year ended 31 December 2017, the Nomination Committee held two meetings to, among others, consider and review a potential candidate of independent non-executive Director and two candidates of executive Directors as to whether their background and qualifications meet the Company's business needs, and recommended to the Board on the retirement by rotation and re-election of Directors at the 2017 annual general meeting.

AUDITOR'S REMUNERATION

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

	Fees paid/payable (HK$'000)	
Services rendered	**2017**	2016
Audit services	**3,301**	2,999
Non-audit services (i.e. tax services, incorporation, certification, etc.)	**137**	57
Total	**3,438**	3,056

RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk Management System

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

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Principal Risks and Uncertainties

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

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

Principal Risks	Risk Titles	Risk Descriptions	Risk Mitigations
Business and strategic risk	Client management	In the event that the Group is unable to retain the clients or expand the client base, the overall business may be adversely affected.	Business development team and project team maintain business relationship with existing clients and keep the clients informed of the recent developments of the Group to strengthen the brand and reputation through quality service. Project directors conduct ongoing monitoring on every project to ensure the project deliverables are up to standard and project progress is timely followed with the work plan.

Principal Risks	Risk Titles	Risk Descriptions	Risk Mitigations
Credit risk	Accounts receivables management	If the progress payments are not settled by the client on time and in full, the accounts receivables will be long outstanding. This situation may increase the Group's credit risk and liquidity risk.	Regular meetings are held to discuss the project completion status and client's payment status. For those long outstanding accounts receivables, written payment reminder will be issued to the client and legal advices will be sought.
Liquidity risk	Debt settlement	The risk of being unable to settle obligations as they fall due.	The Directors will closely monitor the liquidity and cash flow position of the Group to fulfil all the debt obligations of the Company.
Legal and compliance risk	Local and international law and regulatory requirements	The Group is listed in Hong Kong and operates in Hong Kong, the PRC, Italy and Philippines and may be exposed to different and changing government policies, political, social, legal and regulatory requirements.	The Group has internal procedure to monitor legal and compliance matters for daily operations and will seek internal and external legal advice as and where appropriate for new business initiatives.
Operational risk	Project cost management	In order to secure new contracts from clients and to build up business relationship, the project engagement fee may be set lower. Business operations and financial positions may be affected if the cost is not controlled effectively.	Project plan is prepared by project team. Management will regularly monitor the project schedule and evaluate the reason of any excessive time cost spent on particular project. If gross profit margin is lower than required, meetings will be held to discuss the reasons behind.
Operational risk	Subconsultant management	If there is no proper sub-consultant selection procedure, an inappropriate sub-consultant would be selected in an unfair and untransparent manner.	A proper selection and quotation comparison procedure is formulated and implemented in the event that the service of sub-consultant is involved.

Details about the Group's financial risk management are set out in note 44 to the consolidated financial statements in this annual report.

Internal Control System

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

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2017, no significant control deficiency was identified.

Effectiveness of the Risk Management and Internal Control Systems

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

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

Internal Auditors

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

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

Procedures for directing shareholders' enquiries to the Board

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

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

Procedures for convening an extraordinary general meeting by shareholders

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

Procedures for putting forward proposals at shareholders' meetings

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

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

CONSTITUTIONAL DOCUMENTS

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

Report of the Directors

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A fair review of the business of the Group during the year and particulars of important events affecting the Group that have occurred since the end of the financial year 2017 as well as a discussion on the Group's future business development are provided in the "Chairman's Statement" and the "Management's Discussion and Analysis"throughout this annual report. An analysis of the Group's performance for the year by operating segment is set out in note 4 to the consolidated financial statements in this annual report. The aforementioned discussions form part of this Directors' report.

Description of the principal risks and uncertainties facing the Group can be found in the section headed "Principal Risks and Uncertainties" under the Corporate Governance Report in this annual report. Details about the Group's financial risk management are set out in note 44 to the consolidated financial statements in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with the applicable rules and regulations. To the best knowledge of the Directors of the Company, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2017.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors of the Company, the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 31 December 2017. More details are set out in the Environment, Social and Governance Report which will be published on the website of the Stock Exchange in due course separately.

Key Relationships with Employees, Customers and Suppliers

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

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

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

Particulars of important events affecting the Group that have occurred since the end of the financial year 2017, if any, is set out in the above sections and the notes to the consolidated financial statements in this annual report. The prospects of the Group's business is discussed throughout this annual report including in the "Chairman's Statement"of this annual report. Throughout 2017, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2017 are set out in note 1 to the consolidated financial statements in this annual report which, in the opinion of the Directors, materially contribute to the net income of the Group or hold a material portion of the assets or liabilities of the Group. Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit and loss. The Board does not recommend the payment of final dividend for the year ended 31 December 2017. A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on the lsat page of this annual report.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Wednesday, 30 May 2018 to Monday, 4 June 2018, both days inclusive, for the purpose of determining the entitlement to attend and vote at the annual general meeting ("AGM") scheduled to be held on Monday, 4 June 2018. 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 Tuesday, 29 May 2018.

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

Investments

The Group held certain investments in joint ventures and associates during the financial year. For detailed performance of these investments, please refer to notes 17 and 18 to the consolidated financial statements in this annual report. The abovementioned investments were in start-up stage which may require further capital injection and more time to nurture their business development. Nevertheless, our Directors considered that the investments represented good investment opportunities that may generate additional return to the shareholders of our Company in future.

Acquisitions

On 17 March 2017, a wholly-owned subsidiary of the Company, Yummy Holdings Limited entered into an agreement to acquire 51% issued share capital of Thai Gallery (HK) Limited from independent third party vendors with a consideration of RMB19,380,000. Pursuant to the acquisition agreement, the aforesaid vendors agree to guarantee to the Company that the audited net profit after tax of Thai Gallery (HK) Limited for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not be less than RMB6,000,000, RMB7,000,000 and RMB8,000,000 respectively. The acquisition was completed in September 2017. Further details are set out in the Company's announcements dated 6 February 2017, 14 February 2017, 17 March 2017, 25 August 2017, 12 December 2017 and 14 December 2017.

On 1 December 2017, a wholly owned subsidiary of the Company, Shanghai Jingzhu Investment Management Company Limited ("Shanghai Jingzhu") entered into an agreement to acquire 51% equity interest in Suzhou Industrial Park Wenlvge Hotel Management Company Limited ("Wenlvge Hotel") from independent third party vendors with a consideration of RMB10,200,000. Pursuant to the acquisition agreement, the aforesaid vendors jointly and severally agree to guarantee to the Company that the audited net profit after tax of Wenlvge Hotel for each of the three financial years ending 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than RMB2,570,000. The acquisition was completed in December 2017. Further details are set out in the Company's announcements dated 29 March 2017, 1 December 2017 and 4 December 2017.

Disposal

On 30 October 2017, the Board decided to dispose EA Group International, Inc. which provided architectural services to other entities within the Group. As at 31 December 2017, EA Group International, Inc. was classified as a disposal group held for sale. The disposal of EA Group International, Inc. was completed on 23 January 2018.

Save for those disclosed in this annual report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the year under review. Apart from those disclosed in this annual report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year ended 31 December 2017. Details of the share option scheme and the share award scheme of the Group are set out in the section headed "Share Option Scheme" in this Directors' report and notes 31 and 32 to the consolidated financial statements in this annual report.

USE OF PROCEEDS

On 25 June 2014, the actual net proceeds raised from the initial public offering were approximately HK$88.8 million, after deduction of all actual underwriting commission, fees and expenses relating to the listing of the Company's shares. The Directors applied the net proceeds to finance the Group's capital expenditure in accordance with those stated in the prospectus of the Company. Up to 31 December 2017, (i) approximately HK$35.1 million was used to increase the registered capital of Earthasia (Shanghai) Co. Ltd., a principal operating subsidiary of the Company, from US$0.5 million to US$5 million in preparation for further establishment of new regional offices and branch offices to expand the business coverage in the PRC, (ii) approximately HK$6.3 million was used for the acquisition of equity interest in a PRC landscape company, and (iii) approximately HK$8.9 million was used for general working capital purpose.

On 10 July 2015, the Company completed a placing of an aggregate of 20,000,000 new Shares to not less than six independent placees at a placing price of HK$1.05 per Share. The net proceeds arising from the placing was approximately HK$20 million, which will be used to finance future investment opportunities to be identified by the Company and/or as general working capital of the Group. Up to 31 December 2017, (i) approximately HK$5.47 million was used for developing and operating eco-tourism business and (ii) approximately HK$4.0 million was used for supporting the trading business, (iii) approximately HK$2.86 million was used for investing in approximately 7.41% equity interest in an available-for-sale investment, namely Shenzhen Qianhai Lendbang Internet Financial Services Limited (深圳市前海邦你貸互聯網金融服務有限公司), which is an associate of Pubang principally engaged in the peer-to-peer ("P2P") internet financial services business, and (iv) approximately HK$7.7 million was used for general working capital purpose.

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

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$15,000 (2016: HK$2,700).

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 AND OTHER BORROWINGS

Details of interest-bearing other borrowings of the Group as at 31 December 2017 are set out in note 28 to the consolidated financial statements in this annual report.

SHARE CAPITAL AND SHARE AWARD SCHEME

Details of movements in the Company's share capital and Share Award Scheme during the year are set out in note 31 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of all the former and existing directors of the Company is currently in force and was in force throughout the year of 2017 and as of the date of this Directors' report.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

TAX RELIEF

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

RESERVES

At 31 December 2017, 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$103.7 million. The amount of HK$103.7 million includes the Company's share premium account of approximately HK$133.7 million in aggregate at 31 December 2017, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Details of movements in the reserves of the Company and the Group during the year are set out in note 46 to the consolidated financial statements and in the consolidated statement of changes in equity respectively in this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on the last page of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, less than 30% of the Group's revenue from rendering of services was attributable to the Group's five largest customers, and less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

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

DIRECTORS

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

Executive Directors	Mr. Lau Hing Tat Patrick *(Chairman)* Mr. Chan Yick Yan Andross *(Chief Executive Officer)* Mr. Tian Ming Mr. Yang Liu (appointed on 3 July 2017) Mr. Qiu Bin (appointed on 31 July 2017)
Non-executive Directors	Mr. Ma Lida Mr. Michael John Erickson (retired on 24 June 2017) Ms. Huang Yaping (retired on 24 June 2017)
Independent non-executive Directors	Ms. Tam Ip Fong Sin Mr. Wong Wang Tai 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 forthcoming AGM and, being eligible, offer themselves for re-election. In addition, in accordance with the Articles, Mr. Yang Liu and Mr. Qiu Bin, who were appointed as executive Directors with effect from 3 July 2017 and 31 July 2017 respectively, will hold office until the forthcoming AGM and, being eligible, will offer themselves for re-election.

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.

The biographical details of current Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACT

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of connected transactions and continuing connected transactions are disclosed in this Directors' report, and related party transactions are set out in note 40 to the consolidated financial statements in this annual report.

Save for the above, there were no transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING INTERESTS

Save as Mr. Ma Lida, our non-executive Director 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 2017.

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 dated 12 June 2014). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

DIRECTORS' REMUNERATION

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

DISCLOSURE OF INTERESTS

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

As at 31 December 2017, 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

Name of Director	Capacity	Number of Shares Personal interest	 Family interest	 Corporate interest	 Other interest	Number of underlying Shares held under the Share Option Scheme	Total	Approximate % of shareholding
Chan Yick Yan Andross	Beneficial owner, interest of controlled corporation	274,000	–	94,006,887[1]	–	3,930,000	98,210,887	23.27%
Lau Hing Tat Patrick	Beneficial owner, interest of spouse, interest of controlled corporation	1,078,000	1,980,000	46,003,444[2]	–	3,930,000	52,991,444	12.56%
Tian Ming	Beneficial owner	–	–	–	–	3,930,000	3,930,000	0.93%
Ma Lida	Beneficial owner	1,000,000	–	–	–	–	1,000,000	0.24%
Michael John Erickson[3]	Beneficial owner	–	–	–	–	500,000	500,000	0.12%

Notes:

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

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

3 Mr. Michael John Erickson retired as a non-executive Director on 24 June 2017.

Long position in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number of shares and class of shares held	Approximate % of shareholding
Chan Yick Yan Andross	Earthasia Worldwide Holdings Limited	Personal	99 (ordinary shares)	9.90%

Saved as disclosed above, as at 31 December 2017, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2017, 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

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximate % of shareholding
CYY Holdings Limited[1]	Beneficial owner	94,006,887	22.28%
PBLA Limited[2]	Beneficial owner	75,223,669	17.83%
Pubang Landscape Architecture (HK) Company Limited[2]	Interest in a controlled corporation	75,223,669	17.83%
Pubang Landscape Architecture Company Limited[2]	Interest in a controlled corporation	75,223,669	17.83%
LSBJ Holdings Limited[3]	Beneficial owner	46,003,444	10.90%
Gao Xin	Beneficial owner	42,596,000	10.09%

Notes:

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

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

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

SHARE OPTION SCHEME

The Company has adopted one share option scheme (the "Share Option Scheme") on 3 June 2014 which became effective on 25 June 2014.

As at 31 December 2017, the Company had 12,290,000 share options outstanding under the Share Option Scheme, which represented approximately 2.9% of the Company's shares in issue as at that date.

A summary of the movements of the outstanding share options during the year ended 31 December 2017 are as follows:

Grantee	Date of grant	Vesting and exercisable period	Exercise price (HK$)	As at 01/01/2017	Number of Share Options Granted[4]	Exercised[5]	Cancelled/ Lapsed[6]	As at 31/12/2017
Directors								
Lau Hing Tat Patrick[1]	4/1/2016	4/1/2016-3/1/2018	1.27	1,965,000	–	–	–	1,965,000
		4/1/2017-3/1/2018	1.27	1,965,000				1,965,000
Chan Yick Yan Andross[2]	4/1/2016	4/1/2016-3/1/2018	1.27	1,965,000	–	–	–	1,965,000
		4/1/2017-3/1/2018	1.27	1,965,000				1,965,000
Tian Ming	4/1/2016	4/1/2016-3/1/2018	1.27	1,965,000	–	–	–	1,965,000
		4/1/2017-3/1/2018	1.27	1,965,000				1,965,000
Ma Lida	4/1/2016	4/1/2016-3/1/2018	1.27	500,000	–	(500,000)	–	–
		4/1/2017-3/1/2018	1.27	500,000		(500,000)		–
Michael John Erickson[3]	4/1/2016	4/1/2016-3/1/2018	1.27	250,000	–	–	–	250,000
		4/1/2017-3/1/2018	1.27	250,000	–	–	–	250,000
Other employee(s)	4/1/2016	4/1/2016-3/1/2018	1.27	500,000	–	(500,000)	–	–
		4/1/2017-3/1/2018	1.27	500,000	–	(500,000)	–	–
Total				14,290,000	–	(2,000,000)	–	12,290,000

Notes:

1. Mr. Lau Hing Tat Patrick was also a substantial shareholder of the Company during the financial year.

2. Mr. Chan Yick Yan Andross was also the chief executive officer and a substantial shareholder of the Company during the financial year.

3. Mr. Michael John Erickson retired as a non-executive Director on 24 June 2017.

4. No share options were granted during the financial year.

5. The weighted average closing price immediately before the dates on which the share options were exercised was HK$3.325. The net proceeds would be used for general working capital.

6. No share options were cancelled or lapsed during the financial year.

Summary of the Share Option Scheme

1.	Purposes	To provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.
2.	Qualifying participants	Any director, including independent non-executive director, 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.
3.	Maximum number of shares	The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the listing date (i.e. 40,000,000 shares).
4.	Maximum entitlement of each participant	The maximum number of shares issuable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.
5.	Option period	The exercise period of the share options granted is determinable by the Board which shall not exceed ten years from the offer date subject to the provisions of early termination thereof. There is no minimum period for which a share option must be held before it can be exercised.

6.	Acceptance of offer	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.
7.	Exercise price	The exercise price of share options is determinable by the Board, 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.
8.	Remaining life of the scheme	It shall be valid and effective for a period of 10 years commencing on 3 June 2014.

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

On 2 January 2018, the Company issued 11,790,000 new shares upon exercise of 11,790,000 share options by three directors of the company and issued 500,000 new shares upon exercise of 500,000 share options by an employee of the Company. As at the date of this annual report, there were no outstanding share options.

More details of the share options are set out in note 32 to the consolidated financial statements in this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2017, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

Continuing connected transactions

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

During the year ended 31 December 2017, the Group had conducted the following connected transactions and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Transactions	2017 HK$'000	2016 HK$'000
Non-exempt continuing connected transactions		
(i) Contract revenue from Pubang, a substantial shareholder of the Company	1,929	6,155
(ii) Subcontracting and referral fee to Pubang	–	817

Details of the continuing connected transactions in relation to the Renewed Cooperation Agreement entered into between the Group and Pubang Landscape Architecture Company Limited (廣州普邦園林股份有限公司) have been disclosed in the announcement of the Company dated 14 March 2017. The continuing connected transactions did not exceed the approved annual cap.

Annual review of the continuing connected transactions

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

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

(2) on normal commercial terms or better; and

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

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in its normal course of business are set out in note 40 to the consolidated financial statements in this annual report. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" of this report. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2017 was audited by Ernst & Young, which retires and being eligible, offers itself for re-appointment at the AGM. A resolution will be proposed at the AGM to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board
Lau Hing Tat Patrick, JP
Chairman

Hong Kong, 28 March 2018

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Earthasia International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 151, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Accounting for service contracts A significant proportion of the Group's revenue and profit was generated from design service contracts. Revenue from these contracts is recognised on a percentage-of-completion basis, which involves a significant amount of judgements by management; with estimates being made to assess the expected (i.e., budgeted) total costs, total contract revenues and the stage of completion of the contracts. The subjectivity involved in these judgements could lead to different amounts of profit and revenue being reported in the financial statements. The disclosures about revenue recognition are included in notes 2, 3 and 5 to the consolidated financial statements.	We performed the following procedures, among others: • obtained an understanding of management's processes for estimating total contract costs and forecast costs to completion, including taking into account the historical accuracy of such estimates; • evaluated and tested the operating effectiveness of relevant internal controls, including project controls over contract profitability and construction progress; • performed procedures for key contracts with respect to project calculations and result forecasts and management's assessment thereof, which included a comparison between the budgeted and actual cost information; • corroborated management's position through examination of externally generated evidence, such as customer correspondence and project supervisor's progress reports; and • evaluated the provision for loss-making contracts for projects on hand as at 31 December 2017 by comparing the contract revenue with total budgeted costs.

Key audit matter	How our audit addressed the key audit matter
Recoverability of receivables	
As at 31 December 2017, trade and bills receivables and gross amount due from customers for contract work of the Group amounted to HK$48,092,000 and HK$35,355,000 respectively (net of provision for impairment). Expenses in respect of the provision for impairment of trade and bills receivables and gross amount due from customers for contract work, respectively, were recognised during the year of HK$6,562,000 and HK$18,975,000. When determining whether trade and bills receivables and gross amount due from customers for contract work are collectable, significant management's judgement is involved. When making this judgement, management takes into account various factors including the age of the balances, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of the customers. Relevant disclosures are included in notes 3, 6, 20 and 24 to the consolidated financial statements.	Our audit procedures included assessing and testing the Group's processes and controls relating to the monitoring of trade and bills receivables and gross amount due from customers for contract work and the granting of credit terms and contract terms relating to billing milestones. We also tested the aging analyses and obtained direct confirmations for samples of customer receivable balances. We then evaluated the adequacy of the Group's provision for impairment of trade receivables and gross amount due from contract customers by reference to the Group's debtor collection history and subsequent settlement, together with the customers' relationship with the Group and their financial background. We also considered the adequacy of the disclosures in particular those included in notes 20 and 24.
Business combinations	
During the year, the Group had two acquisitions which constituted business combinations. Management recognised the identifiable assets acquired and liabilities assumed at fair value as at the respective acquisition dates. In applying the acquisition method, management also recognised goodwill. The accounting for the business combinations, involved significant management judgement and estimates including identifying whether the transactions constituted a business combination, identifying the intangible assets and measuring the identifiable assets acquired and liabilities assumed at fair value. Relevant disclosures are included in note 2,3, 34 to the consolidated financial statements.	We read the share purchase agreements and evaluated management's judgement on whether the transactions were a business combination. We discussed with management about the processes to identify the intangible assets and the liabilities of the acquirees. With regard to the purchase price allocation; we assessed the valuation method adopted in determining the fair values of the identifiable assets acquired and liabilities assumed, we involved our internal valuation experts to evaluate the appropriateness of the valuation methodologies, we tested the assumptions used in the valuation and compared the discount rate used by the management with the industry index. We also assessed the adequacy of the related disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is Wai Ling Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**128,671**	183,774
Cost of sales	6	**(83,674)**	(94,010)
GROSS PROFIT		**44,997**	89,764
Other income and gains	5	**11,878**	11,298
Selling and marketing expenses		**(12,685)**	(8,509)
Administrative expenses		**(81,462)**	(85,220)
Finance costs	7	**(268)**	(48)
Other expenses		**(11,488)**	(15,136)
Share of losses of:	4		
Joint ventures		**(1)**	(702)
Associates		**(2,462)**	(1,742)
LOSS BEFORE TAX	6	**(51,491)**	(10,295)
Income tax expense	10	**(6,243)**	(583)
LOSS FOR THE YEAR		**(57,734)**	(10,878)
Attributable to:			
Owners of the parent		**(57,313)**	(9,365)
Non-controlling interests		**(421)**	(1,513)
		(57,734)	(10,878)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For loss for the year		**HK(13.9 cents)**	HK(2.3 cents)
Diluted			
– For loss for the year		**HK(13.9 cents)**	HK(2.3 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
LOSS FOR THE YEAR	**(57,734)**	(10,878)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**5,468**	(7,468)
	5,468	(7,468)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**5,468**	(7,468)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement income/(loss) on defined benefit obligations	**257**	(148)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**257**	(148)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**5,725**	(7,616)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(52,009)**	(18,494)
Attributable to:		
Owners of the parent	**(51,593)**	(17,011)
Non-controlling interests	**(416)**	(1,483)
	(52,009)	(18,494)

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Goodwill	15	**7,219**	3,111
Property and equipment	14	**10,788**	5,128
Intangible assets	16	**49,055**	3,976
Prepayments and deposits	21	**4,222**	2,762
Investments in joint ventures	17	**201**	–
Investments in associates	18	**8,418**	8,472
Available-for-sale investment	19	**2,881**	2,679
Deferred tax assets	29	**42**	7,051
Total non-current assets		**82,826**	33,179
CURRENT ASSETS			
Inventories	22	**744**	–
Gross amount due from customers for contract work	24	**35,355**	56,960
Trade and bills receivables	20	**48,092**	57,394
Prepayments, deposits and other receivables	21	**22,791**	16,766
Call options over non-controlling interest	23	**5,580**	–
Cash and bank balances	25	**112,442**	70,085
		225,004	201,205
Assets of a disposal group classified as held for sale	11	**1,317**	–
Total current assets		**226,321**	201,205
CURRENT LIABILITIES			
Trade payables	26	**7,389**	5,099
Other payables and accruals	27	**35,061**	14,565
Gross amount due to customers for contract work	24	**20,310**	13,398
Tax payable		**26,134**	26,146
Dividends payable		**4**	63
		88,898	59,271
Liabilities directly associated with the assets classified as held for sale	11	**1,083**	–
Total current liabilities		**89,981**	59,271
NET CURRENT ASSETS		**136,340**	141,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**219,166**	175,113

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	28	**63,500**	–
Other payables	27	**351**	–
Retirement benefit obligations	30	**–**	646
Deferred tax liabilities	29	**13,473**	3,278
Total non-current liabilities		**77,324**	3,924
NET ASSETS		**141,842**	171,189
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**4,220**	4,200
Treasury shares	31	**(88)**	(88)
Other reserves	33	**118,043**	167,085
		122,175	171,197
Non-controlling interests		**19,667**	(8)
Total equity		**141,842**	171,189

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

		Attributable to owners of the parent											
	Notes	Share capital (note 31) HK$'000	Treasury shares (note 31) HK$'000	*Share premium account (note 31) HK$'000	*Share award plan reserve HK$'000	*Share option reserve HK$'000	*Capital reserve HK$'000	*Reserve funds HK$'000	*Exchange fluctuation reserve HK$'000	*Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		4,200	(140)	125,399	1,661	–	5	10,429	(3,096)	67,497	205,955	539	206,494
Loss for the year		–	–	–	–	–	–	–	–	(9,365)	(9,365)	(1,513)	(10,878)
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(7,498)	–	(7,498)	30	(7,468)
Remeasurement loss on defined benefit obligations		–	–	–	–	–	–	–	–	(148)	(148)	–	(148)
Total comprehensive loss for the year		–	–	–	–	–	–	–	(7,498)	(9,513)	(17,011)	(1,483)	(18,494)
Treasury shares purchased	31(d)	–	(37)	(4,720)	–	–	–	–	–	–	(4,757)	–	(4,757)
Disposal of subsidiaries	36	–	–	–	–	–	–	–	–	–	–	42	42
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(4,243)	(4,243)	894	(3,349)
Final 2015 dividend paid		–	–	–	–	–	–	–	–	(22,650)	(22,650)	–	(22,650)
Equity-settled share-based payments	32	–	89	9,754	(1,661)	–	–	–	–	–	8,182	–	8,182
Equity-settled share option arrangements	32	–	–	–	–	5,721	–	–	–	–	5,721	–	5,721
At 31 December 2016		4,200	(88)	130,433	–	5,721	5	10,429	(10,594)	31,091	171,197	(8)	171,189

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Notes	Share capital (note 31) HK$'000	Treasury shares (note 31) HK$'000	*Share premium account (note 31) HK$'000	*Share option reserve HK$'000	*Capital reserve HK$'000	*Reserve funds HK$'000	*Exchange fluctuation reserve HK$'000	*Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent										
At 1 January 2017		4,200	(88)	130,433	5,721	5	10,429	(10,594)	31,091	171,197	(8)	171,189
Loss for the year		–	–	–	–	–	–	–	(57,313)	(57,313)	(421)	(57,734)
Other comprehensive loss for the year:												
Exchange differences related to foreign operations#		–	–	–	–	–	–	5,463	–	5,463	5	5,468
Remeasurement loss on defined benefit obligations		–	–	–	–	–	–	–	257	257	–	257
Total comprehensive loss for the year		–	–	–	–	–	–	5,463	(57,056)	(51,593)	(416)	(52,009)
Issue of shares	31(a)	20	–	2,520	–	–	–	–	–	2,540	–	2,540
Equity-settled share option arrangements	32	–	–	775	(744)	–	–	–	–	31	–	31
Acquisition of subsidiaries	34	–	–	–	–	–	–	–	–	–	19,737	19,737
Investment from non-controlling interests		–	–	–	–	–	–	–	–	–	354	354
Transfer from retained profits		–	–	–	–	–	187	–	(187)	–	–	–
At 31 December 2017		4,220	(88)	133,728	4,977	5	10,616	(5,131)	(26,152)	122,175	19,667	141,842

* These reserve accounts comprise the consolidated other reserves of HK$118,043,000 (2016: HK$167,085,000) in the consolidated statement of financial position.

\# Included in exchange differences related to foreign operation for 2017 is an amount related to investment in joint ventures and associates of HK$608,000 (2016: HK$631,000).

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(51,491)**	(10,295)
Adjustments for:			
Finance costs	7	**268**	48
Share of losses of joint ventures	4	**1**	702
Share of losses of associates	4	**2,462**	1,742
Acquisition expenses	34	**673**	–
Equity-settled share award expense	6	**–**	3,730
Equity-settled share option expense	6	**31**	5,721
Interest income	5	**(1,726)**	(3,881)
Loss on disposal of items of property and equipment	6	**25**	5
Gain on disposal of subsidiaries	36	**–**	(222)
Depreciation	6	**3,303**	2,261
Amortisation of intangible assets	6	**2,235**	1,641
Expenses relating to a defined benefit plan	30	**189**	127
Provision for impairment of trade receivables	6	**6,562**	7,628
Provision for impairment of deposits and other receivables	6	**1,561**	57
Provision for impairment of gross amount due from customers for contract work	6	**18,975**	7,060
Impairment of tax recoverable		**–**	3,187
Impairment of a disposal group classified as held for sale	11	**2,425**	–
Exchange loss/(gain)		**(2,836)**	2,421
Payables written back	5	**(1,130)**	(404)
		(18,473)	21,528
Increase in inventories		**(564)**	–
Decrease/(increase) in gross amount due from customers for contract work		**5,745**	(3,229)
Decrease/(increase) in trade and bills receivables		**6,278**	(11,791)
Increase in prepayments, deposits and other receivables		**(58)**	(2,693)
Increase in trade payables		**823**	2,149
(Decrease)/increase in other payables and accruals		**4,854**	(11,533)
(Decrease)/increase in gross amount due to customers for contract work		**5,808**	(3,174)
Cash (used in)/generated from operations		**4,413**	(8,743)
Interest element of finance lease rental payments	7	**–**	(24)
Interest received		**256**	332
Income tax paid		**(2,621)**	(6,096)
Net cash flows from/(used in) operating activities		**2,048**	(14,531)

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,470**	3,549
Purchases of items of property and equipment		**(3,059)**	(2,042)
Proceeds from disposal of items of property and equipment		**48**	7
Capital contribution to a joint venture		**(193)**	–
Capital contribution to an associate		**(1,787)**	(7,128)
Decrease in prepayments, deposits and other receivables relating to investment in an entity's equity interest		**922**	1,870
Repayment of a loan to a joint venture		**82,709**	35,412
Loan to a joint venture		**(82,709)**	(31,412)
Loan to an associate		**(540)**	–
Acquisition of non-controlling interests		**–**	(3,349)
Acquisition of subsidiaries	34	**(30,015)**	–
Acquisition expenses	34	**(295)**	–
Disposal of subsidiaries	36	**–**	(3)
Disposal of an available-for-sale investment		**–**	23,370
Addition of an available-for-sale investment		**–**	(2,864)
Additions to intangible assets		**(377)**	(341)
Net cash flows from/(used in) investing activities		**(33,826)**	17,069
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share option		**8,166**	–
Proceeds from grant of awarded shares		**–**	4,451
Shares repurchased		**–**	(4,757)
Proceeds from issue of corporate bonds		**63,500**	–
Capital injection by non-controlling interests		**354**	–
Repayment of a bank loan		**–**	(30,000)
Repayment of other loan		**–**	(318)
Dividends paid		**(59)**	(22,695)
Interest paid		**(268)**	(24)
Decrease in pledged time deposit		**–**	30,000
Capital element of finance lease rental payments		**–**	(606)
Net cash flows from/(used in) financing activities		**71,693**	(23,949)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**39,915**	(21,411)
Cash and cash equivalents at beginning of year		**70,085**	94,805
Effect of foreign exchange rate changes, net		**2,794**	(3,309)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**112,794**	70,085

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ANALYSIS OF BALANCES OF CASH CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**112,442**	70,085
Cash and bank balances as stated in the consolidated statement of financial position		**112,442**	70,085
Cash and short term deposits attributable to a disposal group held for sale	11	**352**	–
Cash and cash equivalents as stated in the statement of cash flows		**112,794**	70,085

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Group is landscape architecture mainly in Hong Kong and Mainland China.

During the year ended 31 December 2017, the Group has acquired a new business of catering, as detailed in note 34.

Information about subsidiaries

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

Name	Place of incorporation/ establishment	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Earthasia Holdings Limited*	British Virgin Islands	US$100	100.00%	–	Investment holding
Earthasia (International) Limited ("EAI")	Hong Kong	HK$5,000	–	100.00%	Landscape architecture
Upworth Capital Limited*	Hong Kong	HK$100	–	100.00%	Investment holding
泛亞景觀設計(上海)有限公司* ("Earthasia (Shanghai) Co., Ltd.")#	Mainland China	US$5,000,000	–	100.00%	Landscape architecture
Earthasia Limited	Hong Kong	HK$10,000	–	100.00%	Landscape architecture
泛亞城市規劃設計(上海)有限公司* ("Earthasia Design (Shanghai) Co., Ltd.")#	Mainland China	RMB1,000,000	–	100.00%	Landscape architecture
泛亞國際環境設計(廈門)有限公司* ("Earthasia (Xiamen) Co., Ltd.")# ("EAXM")	Mainland China	RMB1,000,000	–	100.00%	Landscape architecture
前海泛亞景觀設計(深圳)有限公司* ("Earthasia (QianHai) Limited")# ("EA SZ")	Mainland China	HK$1,000,000	–	100.00%	Interior design and landscape
EA Group International, Inc. ("EAM")	Philippines	PHP1,000,000	–	99.95%	Design and drawing support services
Earthasia (HK) Ltd.	Hong Kong	HK$100	–	100.00%	Dormant
Earthasia Farm Investment Limited*	Hong Kong	HK$100	–	70.00%	Investment holding
Yummy Holdings Limited*	British Virgin Islands	US$100	100.00%	–	Investment holding
Yummy Food Holdings Limited*	Hong Kong	HK$100	–	100.00%	Dormant
上海景築投資管理有限公司* ("Shanghai Jingzhu Investment Management Limited")#	Mainland China	RMB1,000,000	–	100.00%	Dormant
上海築美餐飲管理有限公司* ("Shanghai Zhumei Food Management Co., Ltd.")#	Mainland China	RMB500,000	–	100.00%	Food Investment

1. CORPORATE AND GROUP INFORMATION (Continued)

Name	Place of incorporation/ establishment	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
蘇州工業園區文律閣酒店管理有限公司* ("Suzhou Industrial Park Wenlvge Hotel Management Co., Ltd.")# ("wenlvge")	Mainland China	RMB500,000	–	51.00%	Food Investment
Thai Gallery (HK) Limited* ("Thai Gallery HK")	Hong Kong	HK$100	–	51.00%	Investment holding
Thai Gallery SRL (Italy)	Italy	EURO20,000	–	41.00%	Catering
泰歡餐飲管理(上海)有限公司* ("Thai Gallery SH")#	Mainland China	RMB1,000,000	–	51.00%	Catering Management

Earthasia (Shanghai) Co., Ltd., Earthasia (Xiamen) Co., Ltd., Earthasia Design (Shanghai) Co., Ltd., Earthasia (QianHai) Limited, Shanghai Jingzhu Investment Management Limited, Shanghai Zhumei Food Management Co., Ltd., Suzhou Industrial Park Wenlvge Hotel Management Co., Ltd. and Thai Gallery SH are registered as foreign-owned enterprises under the law of the People's Republic of China (the "PRC").

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. 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).

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 37 to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements to 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements to 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2017, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

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

(b) Impairment

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material.

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

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

Amendments to IAS 40 issued in December 2016 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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 and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

Intangible assets (other than goodwill)

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

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Brand names	8-10 years
Backlog contracts	20 years
Software	3 - 5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

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.

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

Available-for-sale financial investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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

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

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

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Finished goods: purchase cost on a first-in/first-out basis

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income, in respect of the purchases of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

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

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

Provisions

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

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

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, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

Revenue recognition

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

(a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

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

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

Contracts for services

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

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

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

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

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted (note 32). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in fair value recognised in the statement of profit or loss.

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% to 20% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

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

Defined benefit plan

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (Continued)

Defined benefit plan (Continued)

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

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

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

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Research and development costs

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

Estimation uncertainty

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

Percentage of completion of rendering of services

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

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 2017 was HK$7,219,000 (2016: HK$3,111,000). Further details are given in note 15.

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. 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.

Fair value measurement

As the acquisition of Thai Gallery HK and Wenlvge, the Group conducted purchase price allocation based on the fair value of the identifiable assets and liabilities in the relevant business of the acquisition date. The fair value of relevant identifiable assets and liabilities are assessed by the independent valuer based on the business forecasts and the key assumptions provided by the management and the adoption of the appropriate valuation methodology.

Meanwhile, parts of the Group's book assets and liabilities is measured at fair value. In determining the fair value of the underlying assets and liabilities, the management of the Group will adopt the appropriate valuation method and the input value of the fair value measurement according to the nature of the underlying assets and liabilities. For the selection of the input values, the Group will use observable market data when possible.

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 (Continued)

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

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2017, the Group has acquired a new business of catering, as detailed in note 34. Catering forms a new operating segment during the year ended 31 December 2017.

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

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

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

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

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

(e) The catering business focusing on operation of restaurants.

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

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

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

Year ended 31 December 2017

	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	Catering HK$'000	Total HK$'000
Segment revenue:						
Revenue	59,427	29,435	22,809	11,735	5,265	128,671
Segment results	27,471	(5,741)	8,618	4,371	(3,946)	30,773
Reconciliation						
Unallocated income and gains						11,719
Unallocated expenses						(93,715)
Finance costs						(268)
Loss before tax						(51,491)
Segment assets:	44,516	16,996	18,368	3,339	79,528	162,747
Reconciliation						
Unallocated assets						145,083
Assets of a disposal group classified as held for sale						1,317
Total assets						309,147
Segment liabilities	11,120	2,823	6,835	1,738	27,185	49,701
Reconciliation						
Unallocated liabilities						116,521
Liabilities directly associated with the assets classified as held for sale						1,083
Total liabilities						167,305

4. OPERATING SEGMENT INFORMATION (Continued)

	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	Catering HK$'000	Total HK$'000
Other segment information						
Share of losses of:						
Joint ventures	–	–	–	–	(1)	(1)
Share of losses of:						
Associate						
Unallocated						(2,462)
Provision/(reversal of provision) for impairment of trade receivables	1,096	4,536	1,069	(139)	–	6,562
Depreciation and amortisation	–	–	–	–	1,485	1,485
Reconciliation						
Unallocated						4,053
Total						5,538
Investments in a joint venture	–	–	–	–	193	193
Investments in an associate						
Unallocated						1,787
Capital expenditures*	–	–	–	–	1,035	1,035
Reconciliation						
Unallocated						2,401
Total						3,436

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Residential development projects HK$'000	Infrastructure and public open space projects HK$'000	Commercial and mixed-use development projects HK$'000	Tourism and hotel projects HK$'000	Total HK$'000
Segment revenue:					
Revenue	78,634	60,253	38,325	6,562	183,774
Segment results	31,496	28,561	18,856	3,223	82,136
Reconciliation					
Unallocated income and gains					11,298
Unallocated expenses					(103,681)
Finance costs					(48)
Loss before tax					(10,295)
Segment assets:	53,069	34,637	20,371	6,277	114,354
Reconciliation					
Unallocated assets					120,030
Total assets					234,384
Segment liabilities	5,114	3,827	5,787	454	15,182
Reconciliation					
Unallocated liabilities					48,013
Total liabilities					63,195
Other segment information					
Provision/(reversal of provision) for impairment of trade receivables	4,129	1,915	1,651	(67)	7,628
Unallocated:					
Share of losses of:					
Associates					(1,742)
Joint ventures					(702)
Depreciation and amortisation					3,902
Investments in associates					8,472
Capital expenditures*					
Unallocated					2,383

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong	**19,731**	25,703
Mainland China	**105,290**	157,893
Others	**3,650**	178
	128,671	183,774

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

During the years ended 31 December 2017 and 2016, other than Mainland China and Hong Kong, the Group derived revenue from Macau, Italy and the Philippines.

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	**1,749**	3,286
Mainland China	**60,601**	19,616
Others	**13,215**	115
	75,565	23,017

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

Information about major customers

Revenue of approximately HK$3,651,000 (2016: HK$5,951,000) was derived from services to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2017 HK$'000	2016 HK$'000
Revenue		
Catering revenue	**5,265**	–
Service contracts	**123,406**	183,774
Other income		
Service income	**6,456**	4,140
Interest income	**1,726**	3,881
Foreign exchange differences, net	**2,367**	–
Dividend income from available-for-sale investment	**128**	–
Government grants	**71**	2,651
	10,748	10,672
Gains		
Payables written back	**1,130**	404
Gain on disposal of subsidiaries	**–**	222
	1,130	626
	11,878	11,298

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

6. LOSS BEFORE TAX

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

	Notes	**2017 HK$'000**	2016 HK$'000
Cost of inventories sold		**1,549**	–
Cost of services provided		**82,125**	94,010
Depreciation	14	**3,303**	2,261
Amortisation of intangible assets	16	**2,235**	1,641
Research and development costs:			
Current year expenditure		**6,361**	7,271
Impairment of a disposal group classified as held for sale	11	**2,425**	–
Minimum lease payments under operating leases		**12,968**	13,576
Auditor's remuneration		**3,438**	3,056
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**76,216**	88,568
Equity-settled share award expense		**–**	3,730
Equity-settled share option expense		**31**	5,721
Pension scheme contributions (defined contribution scheme)		**9,903**	11,646
Welfare and other benefits		**2,653**	4,345
		88,803	114,010
Foreign exchange differences, net		**(2,367)**	2,676
Provision for impairment of gross amount due from customers for contract work		**18,975**	7,060
Provision for impairment of trade receivables	20	**6,562**	7,628
Provision for impairment of deposits and other receivables	21	**1,561**	57
Loss on disposal of items of property and equipment		**25**	5
Expenses relating to a defined benefit plan	30	**189**	127

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on a bank loan	**2**	24
Interest on corporate bonds	**266**	–
Interest on a finance lease	**–**	24
	268	48

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2017 HK$'000	2016 HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**9,987**	9,206
Equity-settled share option expense	**30**	5,353
Pension scheme contributions and other benefits	**142**	123
	10,159	14,682
	10,519	15,042

During 2016, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

During 2017, there were no options granted.

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:

	2017 HK$'000	2016 HK$'000
Fong Sin Tam Ip	**120**	120
Wang Tai Wong	**120**	120
Yuncai Wang	**120**	120
	360	360

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions and other benefits HK$'000	Total HK$'000
2017				
Executive directors:				
Patrick Lau	**2,640**	**9**	**18**	**2,667**
Ming Tian	**1,841**	**9**	**–**	**1,850**
Liu Yang	**360**	**–**	**5**	**365**
Bin Qiu	**360**	**–**	**5**	**365**
	5,201	**18**	**28**	**5,247**
Non-executive directors:				
Michael John Erickson*	**1,456**	**1**	**58**	**1,515**
Lida Ma	**120**	**2**	**–**	**122**
Yaping Huang*	**60**	**–**	**–**	**60**
	1,636	**3**	**58**	**1,697**
Chief executive:				
Andross Chan	**3,150**	**9**	**56**	**3,215**
	9,987	**30**	**142**	**10,159**

* Michael John Erickson and Yaping Huang were retired on 24 June 2017.

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

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions and other benefits HK$'000	Total HK$'000
2016				
Executive directors:				
Patrick Lau	2,400	1,583	18	4,001
Ming Tian	1,865	1,583	–	3,448
	4,265	3,166	18	7,449
Non-executive directors:				
Michael John Erickson	1,475	201	55	1,731
Lida Ma	280	403	–	683
Yaping Huang	280	–	–	280
	2,035	604	55	2,694
Chief executive:				
Andross Chan	2,906	1,583	50	4,539
	9,206	5,353	123	14,682

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 three directors and the chief executive (2016: three directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2016: one) highest paid employee who is neither a director nor a chief executive of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**1,031**	1,126
Pension scheme contributions and other benefits	**53**	50
	1,084	1,176

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

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	
	2017	2016
HK$1,000,001 to HK$1,500,000	**1**	1

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 continued to be granted with the qualification of High and New Technology Enterprises ("HNTE") on 23 November 2017 and is entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2017 (2016: 15%).

前海泛亞景觀設計 (深圳) 有限公司 has been provided at the rate of 15% (2016: 15%) on the estimated assessable profits as its main principal activities, of engaging in interior design and landscape, are recognised as encouraged industries in Qianhai district, Shenzhen in Mainland China.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% for the year (2016: 25%) under the income tax rules and regulations in the PRC.

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

Thai Gallery SRL is required to pay tax equivalent to 27.9% of taxable income, including 24% for the standard rate of Italy corporate tax ("IRES") and 3.9% for the Italian regional production tax rate ("IRAP").

	2017 HK$'000	2016 HK$'000
Current – Hong Kong	**223**	1,543
Current – Mainland China	**345**	2,522
Current – Italy	**70**	–
Current – Philippines	**63**	33
	701	4,098
Deferred (note 29)	**5,542**	(3,515)
Total tax charge for the year	**6,243**	583

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:

10. INCOME TAX (Continued)

2017

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Italy HK$'000	%	Philippines HK$'000	%	Others HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	(10,511)		(37,275)		(970)		660		(3,395)		(51,491)	
Tax at the statutory tax rate	(1,734)	16.5	(9,319)	25.0	(271)	27.9	198	30	–	–	(11,126)	21.6
Lower tax rate(s) for specific provinces or enacted by local authority	–	–	2,265	(6.1)	–	–	–	–	–	–	2,265	(4.4)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	(1,522)	14.5	–	–	–	–	–	–	–	–	(1,522)	3.0
Income not subject to tax	(8)	0.1	–	–	–	–	(304)	(46.1)	–	–	(312)	0.6
Expense not deductible for tax	255	(2.4)	199	(0.5)	286	(29.5)	123	18.6	–	–	863	(1.7)
Temporary difference not recognised	87	(0.8)	12,070	(32.4)	–	–	57	8.6	–	–	12,214	(23.7)
Tax losses not recognised	1,623	(15.4)	2,238	(6.0)	–	–	–	–	–	–	3,861	(7.5)
Tax charge/(credit) at the Group's effective rate	(1,299)	12.4	7,453	(20.0)	15	(1.6)	74	11.2	–	–	6,243	(12.1)

2016

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

11. DISPOSAL GROUP HELD FOR SALE

On 30 October 2017, the Company announced the decision of its board of directors to dispose of EA Group International, Inc. EA Group International, Inc. provides architectural services to other entities in the Group. The disposal of EA Group International, Inc. was completed on 23 January 2018. As at 31 December 2017, the transaction was in progress and EA Group International, Inc. was classified as a disposal group held for sale.

The major classes of assets and liabilities of EA Group International, Inc. classified as held for sale as at 31 December are as follows:

	2017 HK$'000
Assets	
Property, plant and equipment (note 14)	64
Goodwill	3,111
Deferred tax assets	2
Trade receivables	4
Prepayments, deposits and other receivables	209
Impairment of a disposal group classified as held for sale	(2,425)
Cash and short term deposits	352
Assets classified as held for sale	1,317
Liabilities	
Trade payables	(19)
Other payables and accruals	(54)
Tax payable	(434)
Retirement benefit obligations (note 30)	(576)
Liabilities directly associated with the assets classified as held for sale	(1,083)
Net assets directly associated with the disposal group	234

The amount due from the disposal group held for sale amounting to HK$78,000 (2016: Nil) was eliminated as at 31 December 2017 and not included in liabilities directly associated with the assets classified as held for sale.

In accordance with IFRS 5, assets held for sale with a carrying amount of HK$2,581,000 were written down to the consideration of HK$156,000, resulting in a loss of HK$2,425,000, which was included in profit or loss for the year.

During the year, EA Group International, Inc. acquired property, plant and equipment with a cost of HK$36,000.

12. DIVIDEND

	2017 HK$'000	2016 HK$'000
Proposed final – Nil (2016: Nil) per ordinary share	**–**	–
	–	–

The Board does not recommend the payment of any final dividend in respect for the year ended 31 December 2017.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 411,786,341 (2016: 410,921,448) in issue during the year, as adjusted to reflect the shares repurchased for the purpose of awarding shares to eligible persons under the share award scheme during 2016.

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

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2017 and 2016 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share presented.

The calculations of basic and diluted loss per share are based on:

	2017 HK$'000	2016 HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent:	**(57,313)**	(9,365)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculations	**411,786,341**	410,921,448
Effect of dilution – weighted average number of ordinary shares:		
Shares awarded	**–**	–
	411,786,341	410,921,448

14. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
31 December 2017					
At 31 December 2016 and at 1 January 2017:					
Cost	6,040	11,975	2,543	–	20,558
Accumulated depreciation	(4,626)	(9,756)	(1,048)	–	(15,430)
Net carrying amount	1,414	2,219	1,495	–	5,128
At 1 January 2017, net of accumulated depreciation	1,414	2,219	1,495	–	5,128
Additions	1,295	1,620	144	–	3,059
Acquisition of subsidiaries (note 34)	3,338	1,947	25	380	5,690
Assets included in a disposal group held for sale (note 11)	(32)	(32)	–	–	(64)
Depreciation	(1,637)	(1,179)	(483)	(4)	(3,303)
Disposal	–	(73)	–	–	(73)
Exchange realignment	100	143	101	7	351
At 31 December 2017, net of accumulated depreciation	4,478	4,645	1,282	383	10,788
At 31 December 2017:					
Cost	11,653	14,474	2,892	387	29,406
Accumulated depreciation	(7,175)	(9,829)	(1,610)	(4)	(18,618)
Net carrying amount	4,478	4,645	1,282	383	10,788

14. PROPERTY AND EQUIPMENT (Continued)

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

15. GOODWILL

	HK$'000
At 1 January and 31 December 2016	
Cost	3,111
Cost and net carrying amount at 1 January 2017	3,111
Acquisition of subsidiaries (note 34)	7,184
Attributable to a disposal group held for sale (note 11)	(3,111)
Exchange realignment	35
At 31 December 2017	
Cost	**7,219**
Net carrying amount	**7,219**

15. GOODWILL (Continued)

Impairment testing of goodwill

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rates applied to the cash flow projections are 18.23% and18.77% (2016: 14%).

The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is nil. The management believes that this growth rate is conservative and reliable for the purpose of 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 catering in Mainland China and Italy.
Gross margins:	The gross margins are based on the average gross margin achieved in the past year.
Expenses:	The value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.
Discount rate:	The discount rate used is before tax and reflects management's estimate of the risks specific to the unit. In determining the appropriate discount rate for the unit, regard has been given to the applicable borrowing rate of the Group in the current year.

Sensitivity to changes in assumptions

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

16. INTANGIBLE ASSETS

31 December 2017

	Software HK$'000	Backlog contract HK$'000	Brand names HK$'000	Total HK$'000
Cost at 1 January 2017, net of accumulated amortisation	**3,976**	**–**	**–**	**3,976**
Additions	**377**	**–**	**–**	**377**
Acquisition of subsidiaries (note 34)	**–**	**18,052**	**28,426**	**46,478**
Amortisation provided during the year	**(1,504)**	**(226)**	**(505)**	**(2,235)**
Exchange realignment	**226**	**1**	**232**	**459**
At 31 December 2017	**3,075**	**17,827**	**28,153**	**49,055**
At 31 December 2017				
Cost	**12,161**	**18,052**	**28,664**	**58,877**
Accumulated amortisation	**(9,086)**	**(225)**	**(511)**	**(9,822)**
Net carrying amount	**3,075**	**17,827**	**28,153**	**49,055**

31 December 2016

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

17. INVESTMENTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of net assets	**201**	–

The Group's other payable balance due to a joint venture is disclosed in note 27 to the financial statements.

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

			Percentage of			
Name	**Particulars of issued shares held/ paid-up capital**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activity**
Earthasia Worldwide Holdings Limited ("EA Trading")	Issued shares of HK$100	Hong Kong	30	50	30	Trading business
Earthasia International (Japan) Limited ("Japan Trading")	Issued shares of JPY50,000,000	Japan	30	50	30	Trading business
Earthasia Farm Limited ("EA Farm")	Issued shares of HK$100	Hong Kong	30	50	30	Dormant
蘇州吉聖謙國際貿易有限公司 ("Suzhou Jishengqian International Trade Co., Ltd"#)("Jishengqian")	Issued shares of RMB10,000,000	Mainland China	30	50	30	Dormant
上海扣熊餐飲管理合夥企業 (Shanghai Kouxiong Food Management LLP#) ("Kouxiong")	Registered capital of RMB300,000	Mainland China	56	50	56	Catering in Mainland China
青島泰迪農場旅遊有限公司 (Qingdao Teddy Farm Tourism Co., Ltd#) ("Qingdao Teddy")	Registered capital of RMB10,000,000	Mainland China	51	50	51	Dormant In the process of winding-up

The above investments are indirectly held by the Company.

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

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

Kouxiong, which is considered a material joint venture of the Group, operates its catering business in mainland and is accounted for using the equity method.

17. INVESTMENTS IN JOINT VENTURES (Continued)

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

2017	**Kouxiong HK$'000**	**EA Trading HK$'000**
Cash and cash equivalents	**1**	**2,176**
Other current assets	**–**	**34,003**
Current assets	**1**	**36,179**
Non-current assets	**360**	**588**
Current liabilities	**(2)**	**(44,132)**
Net assets/(deficiency in assets)	**359**	**(7,365)**
Reconciliation to the Group's interests in the joint venture:		
Proportion of the Group's ownership	**56%**	**30%**
Carrying amount of the investment	**201**	**–**
Revenue	**–**	**113,543**
Interest expense	**–**	**(1,470)**
Loss for the year	**(1)**	**(1,386)**
Other comprehensive income	**–**	**–**
Profit and total comprehensive income for the year	**(1)**	**(1,386)**

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

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

17. INVESTMENTS IN JOINT VENTURES (Continued)

The Group has discontinued the recognition of its share of losses of a joint venture, EA Trading, because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amount of the Group's unrecognised share of losses and other comprehensive income of EA Trading for the year and accumulated were HK$416,000 (2016: HK$614,000) and HK$1,030,000 (2016: HK$614,000), respectively.

Teddy was a joint venture of the Company in 2015. The Group contributed additional capital to Teddy during 2016. The articles of association of Teddy was thereafter changed that the Group is unable to jointly control Teddy because of the change in the composition of directors in the board of directors. Teddy was accounted for as an associate thereafter.

18. INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets	**8,418**	8,472

Particulars of the Group's associates are as follows:

Name	**Particulars of issued shares held/ paid-up capital**	**Place of registration and business**	**Percentage of Ownership interest**	**Percentage of Voting power**	**Percentage of Profit sharing**	**Principal activities**
上海泰迪朋友投資管理有限公司 (Shanghai Teddy Friends Investment Management Limited#) ("Teddy")	Registered capital of RMB 27,000,000	Mainland China	45	45	45	Investment holding
蘇州蘇迪投資發展有限公司 (Suzhou Sudi Investment and Development Limited#) ("Sudi")	Registered capital of RMB 28,000,000	Mainland China	23	23	23	Operating a theme park facility in Mainland China

Teddy and its subsidiary, Sudi, are indirectly held by the Company.

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

Teddy and Sudi, which are considered as material associates of the Group, are accounted for using the equity method.

18. INVESTMENTS IN ASSOCIATES (Continued)

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

	2017 HK$'000
Cash and cash equivalents	811
Other current assets	3,069
Current assets	3,880
Non-current assets	30,093
Current liabilities	(11,268)
Net assets	22,705
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	23%
Carrying amount of the investment	5,222
Revenue	11,632
Loss and total comprehensive loss for the year	(5,311)

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

	2017 HK$'000
Share of the associates' loss for the year	(1,240)
Share of the associates' total comprehensive loss	(1,240)
Aggregate carrying amount of the Group's investments in the associates	3,196

18. INVESTMENTS IN ASSOCIATES (Continued)

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

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

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

19. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
Non-current:		
Unlisted equity investment:		
At cost	**2,864**	2,864
Exchange alignment	**17**	(185)
	2,881	2,679

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

19. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

The unlisted equity investment is an equity interest in 深圳市前海邦你貸互聯網金融服務有限公司 ("Lendbang").

As at 31 December 2017, the unlisted equity investment was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

The Group does not intend to dispose of the unlisted equity investment in the near future.

20. TRADE AND BILLS RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade and bills receivables	**79,169**	79,972
Impairment	**(31,077)**	(22,578)
	48,092	57,394

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

Included in the Group's trade and bills receivables were amounts billed of HK$39,389,000 (2016: HK$43,253,000) and billable of HK$39,780,000 (2016: HK$36,719,000).

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

	2017 **HK$'000**	2016 HK$'000
Within 6 months	**30,135**	34,332
Over 6 months but within 1 year	**7,555**	12,235
Over 1 year but within 2 years	**6,877**	6,786
Over 2 years	**3,525**	4,041
	48,092	57,394

20. TRADE AND BILLS RECEIVABLES (Continued)

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

	2017 HK$'000	2016 HK$'000
At 1 January	**22,578**	16,326
Impairment losses recognised (note 6)	**6,562**	7,628
Exchange alignment	**1,937**	(1,376)
At 31 December	**31,077**	22,578

Included in the above provision for the impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$29,503,000 (2016: HK$20,695,000) with a carrying amount before provision of HK$29,503,000 (2016: HK$20,695,000).

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

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**26,225**	22,974
Less than 30 days past due	**–**	3,242
30 to 120 days past due	**2,094**	4,964
121 to 300 days past due	**–**	–
Over 300 days past due	**693**	–
	29,012	31,180

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

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

Included in the Group's trade and bills receivables was an amount due from Pubang of HK$23,000 (2016: Nil), which is repayable on credit terms similar to those offered to the major customers of the Group.

Notes to Financial Statements

31 December 2017

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Current:		
Prepayments	**5,267**	2,682
Deposits and other receivables	**19,226**	14,400
Loan to associates (note 40)	**540**	–
Impairment	**(2,242)**	(316)
	22,791	16,766
Non-current:		
Prepayments	**301**	–
Deposits	**2,951**	2,762
Contingent assets	**970**	–
	4,222	2,762
Total	**27,013**	19,528

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

	2017 HK$'000	2016 HK$'000
At 1 January	**316**	280
Impairment during the year (note 6)	**1,561**	57
Exchange alignment	**365**	(21)
At 31 December	**2,242**	316

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

Included in the Group's deposits and other receivables are an amount due from a joint venture of nil (2016: HK$162,000), an amount due from an associate of HK$926,000 (2016: Nil) and an amount due from Pubang of HK$85,000 (2016: HK$79,000) which have no fixed terms of repayment and are interest-free and unsecured.

22. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	**744**	–

23. CALL OPTIONS OVER NON-CONTROLLING INTEREST

	2017	2016
	HK$'000	HK$'000
Call options over non-controlling interest	**5,580**	–

Following the acquisition of Thai Gallery HK and Wenlvge, original shareholders, third parties of the Group, retained a 49% economic interest in the business of Thai Gallery HK and Wenlvge. Call options were granted over this interest stake which could be exercisable after the acquisition date in the case of the call option. The net present value of the call options was recognised as a current financial asset under IAS 39. The value of the call options was HK$5,580,000 at 31 December 2017 (2016: Nil).

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

	2017	2016
	HK$'000	HK$'000
Gross amount due from customers for contract work	**35,355**	56,960
Gross amount due to customers for contract work	**(20,310)**	(13,398)
	15,045	43,562
Contract costs incurred plus recognised profits less recognised losses to date	**405,172**	424,980
Less: Progress billings	**(390,127)**	(381,418)
	15,045	43,562

Included in the amounts due from customers for contract work is an amount of HK$351,000 (2016: HK$8,718,000), after net of provision of HK$12,243,000 (2016: HK$2,729,000), with Pubang for services rendered by the Group. The provision was made due to the lack of progress for certain service contracts, and for which the full recovery of amounts due in respect of the services rendered is considered unlikely.

25. CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**112,442**	70,085

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

	2017		2016	
	Original currency in'000	HK$ equivalent in'000	Original currency in'000	HK$ equivalent in'000
Cash and bank balances:				
Renminbi ("RMB")	**26,123**	**31,409**	38,988	43,518
Philippine Peso	**–**	**–**	1,817	609
Euro	**52**	**485**	–	–
USD Dollar	**38**	**219**	33	255

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

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

26. 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:

	2017 HK$'000	2016 HK$'000
Within 1 year	**6,040**	4,523
Over 1 year but within 2 years	**792**	518
Over 2 years but within 3 years	**495**	6
Over 3 years	**62**	52
	7,389	5,099

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

Included in the Group's trade payables are an amount due to Pubang of HK$1,083,000 (2016: HK$1,007,000) and an amount due to an associate of HK$78,000 (2016: Nil).

27. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Current:		
Other payables	**28,903**	14,561
Accruals	**498**	—
Amounts received for exercising share options	**5,626**	—
Due to an associate (note 40)	**17**	—
Due to joint ventures (note 40)	**17**	4
	35,061	14,565
Non-current:		
Contingent liabilities	**351**	–
	351	–
Total	**35,412**	14,565

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

The amounts due to an associate and joint ventures are unsecured, interest-free and repayable on demand.

Included in amounts received for exercising share options was an amount due to a director of HK$4,991,000 (31 December 2016: Nil) which was received from the director for exercising an aggregate of 3,930,000 share options into 3,930,000 shares of the Company of HK$0.01 each for a total consideration of HK$4,991,000 and the shares were issued on 2 January 2018.

28. INTEREST-BEARING OTHER BORROWINGS

	2017		
	Effective interest rate (%)	Maturity	HK$'000
Non-current			
Other borrowings – unsecured	**6-9**	**2019**	**63,500**

Note:

(a) The Group's other borrowings were the corporate bonds denominated in Hong Kong dollars ("the Bonds"), with duration of two years from the date issued.

On 21 September 2017, the Bonds amounting to HK$10 million was issued with interest rate of 9% per annum and interest paid annually after the end of every year. As at 31 December 2017, a total of HK$5 million was sold, and the management had confirmed that the rest of the Bonds had been terminated for sale.

On 28 November 2017, the Group issued a publicly-priced corporate bond of HK$100 million through a public company announcement, and as of 31 December 2017, a total of HK$58.5 million of the Bonds was sold. Till 1 March 2018, the Group has completed the registration of all of them. The interest rate is 6% for the Bonds, which is accumulated daily on the 365 daily basis and paid annually after the period.

29. DEFERRED TAX

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

Deferred tax assets

	2017 HK$'000	2016 HK$'000
At 1 January	**7,051**	5,289
(Debit)/credited to the statement of profit or loss during the year	**(7,252)**	2,201
Arising from acquisition of subsidiaries (Note 34)	**12**	–
Exchange realignment	**231**	(439)
At 31 December	**42**	7,051

Deferred tax liabilities

	2017 HK$'000	2016 HK$'000
At 1 January	**3,278**	4,592
Credited to the statement of profit or loss during the year	**(1,710)**	(1,314)
Arising from acquisition of subsidiaries (Note 34)	**11,848**	–
Exchange realignment	**57**	–
At 31 December	**13,473**	3,278

Deferred tax assets

	Accumulated losses HK$'000	**Accruals** HK$'000	**Depreciation** HK$'000	**Impairment provision** HK$'000	**Total** HK$'000
At 1 January 2016	–	165	48	5,076	5,289
Credited to the statement of profit or loss	–	106	34	2,061	2,201
Exchange realignment	–	(15)	(4)	(420)	(439)
At 31 December 2016 and 1 January 2017	**–**	**256**	**78**	**6,717**	**7,051**
Credited/(charged) to the statement of profit or loss	**19**	**(262)**	**(80)**	**(6,929)**	**(7,252)**
Acquisition of subsidiaries	**12**	**–**	**–**	**–**	**12**
Exchange realignment	**1**	**6**	**2**	**222**	**231**
At 31 December 2017	**32**	**–**	**–**	**10**	**42**

29. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2016	–	4,592	4,592
Credited to the statement of profit or loss during the year	–	(1,314)	(1,314)
At 31 December 2016 and 1 January 2017	**–**	**3,278**	**3,278**
Credited to the statement of profit or loss during the year	**(188)**	**(1,522)**	**(1,710)**
Arising from acquisition of subsidiaries	**11,848**	**–**	**11,848**
Exchange realignment	**57**	**–**	**57**
At 31 December 2017	**11,717**	**1,756**	**13,473**

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

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

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

	2017 HK$'000	2016 HK$'000
Tax losses	**6,889**	3,028
Deductible temporary differences	**13,139**	925
	20,028	3,953

The Group has tax losses arising in Mainland China of HK$22,484,500 (2016: HK$10,967,500) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

29. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

The Group has tax losses arising in Hong Kong of HK$11,566,000 (2016: HK$1,732,000) for offsetting against future taxable profits indefinitely. Deferred tax assets have not been recognised in respect of these losses and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

The Group has deductible temporary differences of HK$74,810,000 (2016: HK$3,700,000) that will expire for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these deductible temporary differences as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

30. DEFINED BENEFIT OBLIGATIONS

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

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

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

The present value of the defined benefit obligations were carried out on 31 December 2017 by Institutional Synergy, Inc., using the projected unit credit actuarial cost method. Institutional Synergy Inc. is a management consulting firm specialising in actuarial services with their report signed by a fellow member of the Actuarial Society of the Philippines.

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

	2017	2016
Discount rate (%)	**5.96**	5.72
Expected rate of future pension cost increases (%)	**10.00**	10.00

30. DEFINED BENEFIT OBLIGATIONS (Continued)

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

	Increase in rate %	Increase/ (decrease) in defined benefit obligations HK$'000	Decrease in rate %	Increase/ (decrease) in defined benefit obligations HK$'000
2017:				
Discount rate	**1**	**(88)**	**1**	**108**
Future salary increase	**1**	**105**	**1**	**(88)**
Future pension cost increase	**1**	**–**	**1**	**–**

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

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

	2017 HK$'000	2016 HK$'000
Current service cost	**152**	106
Interest cost	**37**	21
Past service cost	**–**	–
Net benefit expenses	**189**	127
Recognised in administrative expenses (note 6)	**189**	127

30. DEFINED BENEFIT OBLIGATIONS (Continued)

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

	2017 HK$'000	2016 HK$'000
At 1 January	**680**	418
Translation adjustment	**(69)**	(13)
Current service cost	**152**	106
Interest cost	**37**	21
Past service cost	**–**	–
Actuarial losses on obligation:		
Experience adjustments	**(225)**	41
Changes in demographic assumptions	**(8)**	–
Changes in financial assumptions	**(24)**	107
	543	680

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

2017

		Pension cost charged to profit or loss			Remeasurement gains/(losses) in other comprehensive income							
	1 January 2017 HK$'000	Service cost HK$'000	Net interest expense HK$'000	Sub-total included in profit or loss HK$'000	Benefit paid HK$'000	Return on plan assets (excluding amounts included in net interest expense) HK$'000	Actuarial changes arising from changes in demographic assumptions HK$'000	Actuarial changes arising from changes in financial assumptions HK$'000	Experience adjustments HK$'000	Sub-total included in other comprehensive income HK$'000	Translation adjustment HK'000	31 December 2017 HK$'000
Defined benefit obligations	**646**	**152**	**37**	**189**	**-**	**-**	**(8)**	**(24)**	**(225)**	**(257)**	**(2)**	**576**
Benefit liability	**646**	**152**	**37**	**189**	**-**	**-**	**(8)**	**(24)**	**(225)**	**(257)**	**(2)**	**576**

2016

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

30. DEFINED BENEFIT OBLIGATIONS (Continued)

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

	2017 **HK$'000**	2016 HK$'000
Within the next 12 months	**–**	–
Between 2 and 5 years	**–**	–
Between 5 and 10 years	**69**	73
Over 10 years	**8,158**	10,834
Total expected payments	**8,227**	10,907

The average duration of the defined benefit obligations at the end of the reporting period is approximately 20.98 (2016: 22) years.

31. SHARE CAPITAL AND TREASURY SHARES

Shares

	2017 **HK$'000**	2016 HK$'000
Issued and fully paid		
422,000,000 (2016: 420,000,000) ordinary shares	**4,220**	4,200

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

	Number of issued and fully paid shares	**Nominal value of shares** HK$'000	**Share premium account** HK$'000
As at 1 January 2016	420,000,000	4,200	139,447
Issue of new shares	–	–	–
Share issue expenses	–	–	–
As at 31 December 2016 and 1 January 2017	**420,000,000**	**4,200**	**139,447**
Share options exercised (note (a))	**2,000,000**	**20**	**3,295**
Share issue expenses	**–**	**–**	**–**
As at 31 December 2017	**422,000,000**	**4,220**	**142,742**

Note:

(a) On 18 December 2017, the investors exercise an aggregate of 2,000,000 share options into 2,000,000 shares of the Company of HK$0.01 each for a total consideration of HK$2,540,000. The consideration received in excess of the par value of these allotted shares of approximately HK$2,520,000 was credited to the share premium account.

31. SHARE CAPITAL AND TREASURY SHARES (Continued)

Treasury shares

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

	Number of issued and fully paid shares	Nominal value of shares HK$'000	Share premium account HK$'000
As at 1 January 2016	(13,951,751)	(140)	(14,048)
Repurchase of ordinary shares (note (b))	(3,770,000)	(37)	(4,720)
Granting of shares under the share award scheme (note (c))	8,872,476	89	9,754
As at 31 December 2016 and 1 January 2017	**(8,849,275)**	**(88)**	**(9,014)**
Repurchase of ordinary shares	–	–	–
Granting of shares under the share award scheme	–	–	–
As at 31 December 2017	**(8,849,275)**	**(88)**	**(9,014)**

Notes:

(b) On 17 May 2016, 18 May 2016, 19 May 2016 and 23 June 2016, the Company repurchased a total of 3,770,000 ordinary shares of the Company of HK$0.01 each at a total consideration of HK$4,757,000. The consideration paid in excess of the par value of these repurchased shares of approximately HK$4,720,000 was debited to the share premium account. The repurchased shares have not been cancelled and would be granted to eligible persons under a share award scheme of the Company. Further details are set out in note 31(c).

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

Share award scheme

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

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

31. SHARE CAPITAL AND TREASURY SHARES (Continued)

Share award scheme (Continued)

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

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

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

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

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

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

32. SHARE OPTION SCHEME

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

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

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

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

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

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

32. SHARE OPTION SCHEME (Continued)

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

	2017		2016	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.27**	**14,290**	–	–
Granted during the year	**–**	**–**	1.27	14,290
Exercised during the year	**1.27**	**(2,000)**	–	–
At 31 December	**1.27**	**12,290**	1.27	14,290

The weighted average share price at the date of exercise for half of share options exercised during the year was HK$1.9 per share and HK$4.5 per share for another half (2016: No share options were exercised).

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

2017

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
6,145	**1.27**	**4 January 2016 to 3 January 2018**
6,145	**1.27**	**4 January 2017 to 3 January 2018**
12,290		

2016

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

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

32. SHARE OPTION SCHEME (Continued)

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

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

The fair value of the share options granted during the year ended 31 December 2016 was HK$5,752,000. The Group recognised a share option expense of HK$31,000 (2016: HK$5,721,000) in the statement of profit or loss in 2017.

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

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

At the end of the reporting period, the Company had 12,290,000 share options outstanding under the Share Option Scheme, which represented approximately 2.9% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 12,290,000 additional ordinary shares of the Company for total cash proceeds of HK$15,608,300 (before share issue expenses).

33. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 61 to 62 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 Generally Accepted Accouting Principles (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages. The Group has statutory reserve of HK$187,000 from one PRC subsidiary, EA SZ.

34. BUSINESS COMBINATIONS

On 30 September 2017, the Group acquired 51% interest in Thai Gallery HK from third parties of the Group. Thai Gallery HK is mainly engaged in Thai food services. The acquisition was made as part of the Group's strategy to enter the catering industry. The purchase consideration for the acquisition was in the form of cash, with HK$2,167,000 paid on 18 April 2017, RMB3,876,000 (HK$4,331,000) paid on 28 June 2017, RMB7,259,000 (HK$8,111,000) paid on 15 December 2017, HK$4,000,000 paid on 15 December 2017, and the remaining RMB2,907,000 (HK$3,248,000) has not been paid yet.

The Group has elected to measure the non-controlling interest in Thai Gallery HK at the non-controlling interests' proportionate share of Thai Gallery HK's identifiable net assets.

On 5 December 2017, the Group acquired a 51% interest in Wenlvge from third parties of the Group. Wenlvge is a company registered in Suzhou engaged in hotel management and catering industry. The acquisition was made as part of the Group's strategy to enter the catering industry. The purchase consideration for the acquisition was in the form of cash, with RMB4,590,000 (HK$5,418,000) paid at the acquisition date, RMB1,500,000 (HK$ 1,771,000) paid on 15 December 2017 and the remaining RMB4,110,000 (HK$ 4,851,000) paid on 29 December 2017.

The Group has elected to measure the non-controlling interest in Wenlvge at the non-controlling interests' proportionate share of Wenlvge's identifiable net assets.

34. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable net assets and liabilities of Thai Gallery HK and Wenlvge as at the date of acquisition were as follows:

Fair value recognised on acquisition

	Thai Gallery HK HK$'000	Wenlvge HK$'000	Total HK$'000
Property and equipment	4,553	1,137	5,690
Intangible assets	32,622	13,856	46,478
Deferred tax assets	12	–	12
Prepayments, deposits and other receivables	2,204	5,123	7,327
Trade and bills receivables	–	16	16
Inventories	19	165	184
Cash and cash equivalents	576	58	634
Deferred tax liabilities	(8,384)	(3,464)	(11,848)
Trade and bills payable	(905)	(261)	(1,166)
Other payables and accruals	(6,233)	(343)	(6,576)
Tax payable	(471)	–	(471)
Total identifiable net assets at fair value	23,993	16,287	40,280
Non-controlling interests	(11,757)	(7,980)	(19,737)
Goodwill on acquisition	5,092	2,092	7,184
	17,328	10,399	27,727
Satisfied by			
Cash consideration paid	18,609	12,040	30,649
Cash consideration unpaid	3,248	–	3,248
Call options over non-controlling interest	(3,559)	(1,986)	(5,545)
Contingent (assets)/liabilities	(970)	345	(625)
	17,328	10,399	27,727

The fair values of intangible assets as at the date of acquisition amounted to HK$46,478,000, which consist of backlog contract, brand names.

The fair values of trade receivables and other receivables as at the date of acquisition amounted to HK$16,000 and HK$148,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$16,000 and HK$148,000, respectively, of which none was expected to be uncollectible.

The Group incurred transaction costs of HK$673,000 for these acquisitions. These transaction costs have been expensed and are included in the consolidated statement of comprehensive income for the year.

34. BUSINESS COMBINATIONS (Continued)

Fair value recognised on acquisition (Continued)

Included in the goodwill of HK$7,184,000 recognised above is a customer list, which is not recognised separately. Because the list is subject to a confidentiality agreement, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

As part of the purchase agreement, contingent consideration is payable, which is dependent on the amount of net profit after tax of Thai Gallery HK and Wenlvge during the 3-year period subsequent to the acquisition. The initial amount recognised was HK$625,000 which was determined using the discounted cash flow model and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders in the following three years. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of the contingent consideration are as follows:

	2018	2019	2020
Projected net profit after tax of Thai Gallery HK	HK$6,554,000	HK$8,071,000	HK$9,224,000
Discount rate	18.23%	18.23%	18.23%

	2018	2019	2020
Projected net profit after tax of Wenlvge	HK$2,858,000	HK$3,024,000	HK$3,184,000
Discount rate	18.77%	18.77%	18.77%

A significant increase (decrease) in the net profit after tax of Thai Gallery HK and Wenlvge would result in a significant increase (decrease) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

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

	Thai Gallery HK HK$'000	**Wenlvge** HK$'000	**Total** HK$'000
Cash consideration paid	(18,609)	(12,040)	(30,649)
Cash and bank balances acquired	576	58	634
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(18,033)	(11,982)	(30,015)
Transaction costs of the acquisition	–	(295)	(295)
	(18,033)	(12,277)	(30,310)

34. BUSINESS COMBINATIONS (Continued)

Fair value recognised on acquisition (Continued)

Since the acquisition, Thai Gallery HK contributed HK$3,559,000 to the Group's turnover and a loss of HK$1,335,000 to the consolidated profit attributable to the Group. Wenlvge contributed HK$551,000 to the Group's turnover and a loss of HK$122,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$140,797,000 and HK$57,814,000, respectively.

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2017
Percentage of equity interest held by non-controlling interests:	
Wenlvge	**49%**
Thai Gallery	**49%**

	2017 **HK$'000**
Loss for the year allocated to non-controlling interests:	
Wenlvge	**(60)**
Thai Gallery	**(654)**
Accumulated balance of non-controlling interests at the reporting date:	
Wenlvge	**8,054**
Thai Gallery	**11,108**

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS
(Continued)

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

2017	Wenlvge HK$'000	Thai Gallery HK$'000
Revenue	551	3,559
Total expenses	(673)	(4,894)
Loss for the year	(122)	(1,335)
Total comprehensive income for the year	(122)	(1,335)
Current assets	5,977	3,392
Non-current assets	15,094	37,737
Current liabilities	1,147	10,228
Non-current liabilities	3,487	8,231
Net cash flows from operating activities	2	1,363
Net cash flows from/(used in) investing activities	–	–
Net cash flows used in financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	2	1,363

36. DISPOSAL OF SUBSIDIARIES

	2017 HK$'000	2016 HK$'000
Net assets disposed of:		
Gross amount due from customers for contract work	–	11
Cash and bank balances	–	3
Trade receivables	–	28
Prepayments and other receivables	–	3
Trade payables	–	(22)
Accruals and other payables	–	(158)
Non-controlling interests	–	42
	–	(93)
Gain on disposal of subsidiaries (note 6)	–	222
	–	129

36. DISPOSAL OF SUBSIDIARIES (Continued)

	2017 HK$'000	2016 HK$'000
Satisfied by:		
Other receivables	–	129

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

	2017 HK$'000	2016 HK$'000
Cash consideration		
Cash and bank balances disposed of	–	(3)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	(3)

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Other borrowings HK$'000	Amounts received for exercising share options HK$'000
At 1 January 2017	—	—
Changes from financing cash flows	**63,500**	**5,626**
At 31 December 2017	**63,500**	**5,626**

38. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**13,369**	12,996
In the second to fifth years, inclusive	**11,950**	13,299
	25,319	26,295

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Leasehold improvements	**4,137**	—
Capital contributions payable to available-for-sale investment	**8,648**	8,040
	12,785	8,040

40. RELATED PARTY TRANSACTIONS

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

	Notes	2017 HK$'000	2016 HK$'000
Contract revenue from Pubang	(i)	**1,929**	6,155
Subcontracting and referral fee to Pubang	(i)	**–**	817
Sales to Director	(ii)	**12**	–
Purchases of goods from Teddy	(iii)	**176**	–
Rental expenses to directors:	(iv)		
Andross Chan		**408**	477
Ming Tian		**180**	210
Loans to:			
Teddy	(v)	**540**	–
EA Trading	(vi)	**82,709**	31,412
Repayment of loan from EA Trading	(vi)	**84,165**	35,412
Interest income from EA Trading	(vi)	**1,470**	3,447
Capital injections to:			
Teddy	(vii)	**1,787**	7,128
Kouxiong		**193**	–
Disposal of subsidiaries to:			
EA Trading	(viii)	**–**	28
Non-controlling interests	(ix)	**–**	101
Acquisition of non-controlling interest from non-controlling shareholders	(x)	**–**	3,349
Payment of expenses on behalf of:			
Pubang		**–**	79
Teddy		**952**	–
EA Trading		**–**	162

40. RELATED PARTY TRANSACTIONS (Continued)

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

Notes:

(i) The Company's subsidiary, Earthasia (Shanghai) Co., Ltd., entered into a framework sale agreement dated 30 July 2014 with Pubang, pursuant to which the Group has agreed that (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) all or part of its landscape projects that require landscape architecture services; and (ii) refer to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery); and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture. On 14 March 2017, Earthasia (Shanghai) and Pubang entered into a renewed cooperation agreement. The Group's contract revenue derived from Pubang for the year ended 31 December 2017 amounted to HK$1,929,000 (2016: HK$6,155,000). The Group's subcontracting and referral fees to Pubang for the year ended 31 December 2017 were nil (2016: HK$584,000) and nil (2016: HK$233,000), respectively.

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

(ii) The Group sold finished goods to a director and the price and terms had been agreed mutually between the Group and the director.

(iii) The Group purchased finished goods from Teddy and the price and terms had been agreed mutually between the Group and Teddy.

(iv) 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.

(v) The Group granted a short-term interest free loan to Teddy.

(vi) The Group granted a revolving loan in aggregate of HK$82,709,000 (2016: HK$31,412,000) during the year to EA Trading, a joint venture of the Group, to support its business operation with a one-year term which is unsecured and bears interest at 15% per annum (twelve months ended 31 December 2016: 30%). The revolving loan at all times with a balance did not exceed HK$14,000,000. The amount was fully repaid during 2017.

On 8 December 2017, the Group entered into a renewal agreement with EA Trading to renew the existing revolving loan facility by increasing the cap amount to HK$50,000,000 at a reduced interest rate of 12% per annum for a period from 8 December 2017 to 30 June 2019.

(vii) The Group injected capital into Teddy of RMB1.55 million in 2017 (2016: RMB6.1 million) for an equity interest of 45%.

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

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

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

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

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

(i) Details of the Group's trading balances with the Company's shareholder, Pubang, are included in notes 20 and 26 to the financial statements.

(ii) Details of the Group's loan to an associate is included in note 21 to the financial statements.

(iii) Included in the Group's deposits and other receivables was an amount due from a joint venture of nil (31 December 2016: HK$162,000) and an associate of HK$926,000 (2016: Nil), which was interest-free, unsecured and had no fixed terms of repayment.

(iv) Included in the Group's deposits and other receivables was an amount due from Pubang of HK$85,000 (31 December 2016: HK$79,000), which was interest-free, unsecured and had no fixed terms of repayment.

(v) Included in the Group's other payables and accruals were balances with the Company's joint ventures of HK$17,000 (31 December 2016: HK$4,000) and an associate of HK$17,000 (31 December 2016: Nil).

(vi) Included in the Group's other payables and accruals was an amount due to a director of HK$4,991,000 (31 December 2016: Nil) which was received from the director for exercising an aggregate of 3,930,000 share option into 3,930,000 shares of the Company of HK$0.01 each for a total consideration of HK$4,991,000 and the shares were issued on 2 January 2018.

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

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and benefits in kind	**12,553**	11,785
Pension scheme contributions	**230**	208
Equity-settled share award expenses	**–**	131
Equity-settled share option expenses	**31**	5,721
Total compensation paid to key management personnel	**12,814**	17,845

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

41. REMUNERATION OF SENIOR MANAGEMENT

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

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and benefits in kind	**2,567**	2,578
Pension scheme contributions	**89**	86
Equity-settled share award expenses	**–**	131
Equity-settled share option expenses	**1**	368
Total compensation paid to senior management personnel	**2,657**	3,163

41. REMUNERATION OF SENIOR MANAGEMENT (Continued)

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

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	2
	3	3

42. 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:

2017

Financial assets

	Financial assets at fair value through profit or loss Designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	2,881	2,881
Trade and bills receivables	–	48,092	–	48,092
Financial assets included in prepayments, deposits and other receivables	–	20,475	–	20,475
Contingent assets	970	–	–	970
Call options over non-controlling interest	5,580	–	–	5,580
Cash and bank balances	–	112,442	–	112,442
	6,550	181,009	2,881	190,440

42. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	**–**	**7,389**	**7,389**
Financial liabilities included in other payables and accruals	**–**	**35,061**	**35,061**
Contingent liabilities	**351**	**–**	**351**
Interest-bearing other borrowings	**–**	**63,500**	**63,500**
Dividends payable	**–**	**4**	**4**
	351	**105,954**	**106,305**

2016

Financial assets

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

Financial liabilities

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

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Financial assets				
Call options over non-controlling interest	**5,580**	–	**5,580**	–
Contingent assets	**970**	–	**970**	–
	6,550	–	**6,550**	–

	Carrying amounts		Fair values	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Financial liabilities				
Interest-bearing other borrowings	**63,500**	–	**64,171**	–
Contingent liabilities	**351**	–	**351**	–
	63,851	–	**64,522**	–

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

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

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

The fair value of interest-bearing other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

Since the interest-bearing other borrowings have fixed interest rates, there was no significant interest rate risk as at the end of the reporting period.

Foreign currency risk

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

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

2017	Increase/ (decrease) in RMB, USD and EUR rate %	Increase/ (decrease) in loss before tax HK$'000
If the Hong Kong dollar weakens against the RMB	**5**	**(75)**
If the Hong Kong dollar strengthens against the RMB	**(5)**	**75**
If the Hong Kong dollar weakens against the USD	**5**	**(38)**
If the Hong Kong dollar strengthens against the USD	**(5)**	**38**
If the Hong Kong dollar weakens against the EUR	**5**	**(26)**
If the Hong Kong dollar strengthens against the EUR	**(5)**	**26**

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

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

Credit risk

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

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from receivables are disclosed in notes 20 and 21 to the financial statements.

44. 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 reporting period 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 2017						
Trade payables	**7,389**	**–**	**–**	**–**	**–**	**7,389**
Other payables and accruals	**35,061**	**–**	**–**	**–**	**–**	**35,061**
Dividends payable	**4**	**–**	**–**	**–**	**–**	**4**
Contingent liabilities	**–**	**–**	**–**	**351**	**–**	**351**
Interest-bearing other borrowings	**–**	**–**	**–**	**71,154**	**–**	**71,154**
	42,454	**–**	**–**	**71,505**	**–**	**113,959**
31 December 2016						
Trade payables	5,099	–	–	–	–	5,099
Other payables and accruals	14,565	–	–	–	–	14,565
Dividends payable	63	–	–	–	–	63
	19,727	–	–	–	–	19,727

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

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

	2017 HK$'000	2016 HK$'000
Interest-bearing other borrowings (note 28)	**63,500**	–
Total equity	**141,842**	171,189
Gearing ratio	**45%**	–

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 31 January 2018,the Company entered into an agreement to acquire the 100% issued share capital of Think High Global Limited, which will have cooperation arrangement with a PRC business partner on the graphene project, from independent third party vendors at a consideration of HK$692,000,000.

Pursuant to the acquisition agreement, the aforesaid vendors agree to guarantee to the Company that the audited net profit after tax of Think High Global Limited for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not be less than HK$35,000,000. In the event that the net profit after tax for any of the relevant financial years ending 31 December 2020 cannot be met, the consideration will be adjusted downward. Further details are set out in the Company's announcement dated 31 January 2018.

The consideration of HK$692,000,000 shall be payable by the Company in the following manner:

(i) as to HK$50,000,000 of the consideration shall be settled by the Company by way of cash upon the entering into of the agreement which shall be refundable pursuant of the terms and conditions of the agreement; and

(ii) as to HK$642,000,000 of the consideration shall be settled by the Company upon completion by way of (a) cash in amount of HK$192,060,000; (b) procuring the Company to issue 86,000,000 consideration shares at the issue price of HK$2.79 per consideration share to the vendors; and (c) procuring the Company to issue the convertible bonds in the principal amount of HK$210,000,000 to the vendors.

Because the acquisition of Think High Global Limited was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

(b) On 23 January 2018, an indirectly wholly-owned subsidiary of the Company has completed the disposal of all of its equity interests in EAM to a third party for a cash consideration of PHP999,500 (equivalent to approximately HK$152,226). Details of the disclosure are included in note 11 to the financial statements.

(c) On 2 January 2018, the Company issued 11,790,000 new shares upon exercise of share options by three directors of the company and issued 500,000 new shares upon exercise of share options by an employee of the Company.

(d) As at 1 March 2018, the Group had in total issued corporate bonds of HK$5 million and HK$100 million with interest rates of 9% per annum and 6% per annum respectively.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**16,992**	16,962
CURRENT ASSETS		
Prepayments and other receivables	**371**	255
Amounts due from subsidiaries	**98,193**	77,878
Cash and bank balances	**72,741**	22,000
Total current assets	**171,305**	100,133
CURRENT LIABILITIES		
Other payables and accruals	**6,178**	80
Dividend payable	**4**	–
Total current liabilities	**6,182**	80
NET CURRENT ASSETS	**165,123**	100,053
TOTAL ASSETS LESS CURRENT LIABILITIES	**182,115**	100,053
NON-CURRENT LIABILITIES		
Interest-bearing other borrowing	**63,500**	–
Total current liabilities	**63,500**	–
NET ASSETS	**118,615**	117,015
EQUITY		
Share capital	**4,220**	4,200
Treasury shares	**(88)**	(88)
Other reserves (note)	**114,483**	112,903
Total equity	**118,615**	117,015

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's other reserves is as follows:

	Share premium account HK$'000	Share award reserve HK$'000	Share option reserve HK$'000	Accu-mulated losses HK$'000	Capital reserve HK$'000	Total HK$'000
Balance at 1 January 2016	125,399	1,661	–	(26,187)	5,854	106,727
Final 2015 dividend declared	–	–	–	(22,650)	–	(22,650)
Total comprehensive income for the year	–	–	–	19,732	–	19,732
Treasury shares purchased	(4,720)	–	–	–	–	(4,720)
Equity-settled share-based payments	9,754	(1,661)	–	–	–	8,093
Equity-settled share option arrangements	–	–	5,721	–	–	5,721
At 31 December 2016 and 1 January 2017	**130,433**	**–**	**5,721**	**(29,105)**	**5,854**	**112,903**
Final 2016 dividend declared	**–**	**–**	**–**	**–**	**–**	
Total comprehensive loss for the year	**–**	**–**	**–**	**(971)**	**–**	**(971)**
Treasury shares purchased	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares	**2,520**	**–**	**–**	**–**	**–**	**2,520**
Equity-settled share option arrangements	**775**	**–**	**(744)**	**–**	**–**	**31**
At 31 December 2017	**133,728**	**–**	**4,977**	**(30,076)**	**5,854**	**114,483**

The Company's capital reserve represents the difference between the then share of net assets of EAI acquired over the par value of shares issued by the Company in consideration and in exchange for the entire share capital of EAI.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2018.

Five-Year Financial Summary

	Year ended December 31				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**128,671**	183,774	237,703	241,365	217,048
Cost of sales	**(83,674)**	(94,010)	(110,636)	(113,108)	(97,790)
Gross Profit	**44,997**	89,764	127,067	128,257	119,258
Other income and gains	**11,878**	11,298	8,564	9,918	6,143
Selling and marketing expenses	**(12,685)**	(8,509)	(7,299)	(8,424)	(6,007)
Administrative expenses	**(81,462)**	(85,220)	(82,156)	(85,482)	(62,736)
Finance costs	**(268)**	(48)	(457)	(25)	(57)
Other expenses	**(11,488)**	(15,136)	(10,863)	(3,167)	(2,387)
Share of losses of joint ventures	**(1)**	(702)	(1,011)	–	–
Share of losses of associates	**(2,462)**	(1,742)	–	–	–
(Loss)/profit before tax	**(51,491)**	(10,295)	33,845	41,077	54,214
Income tax expense	**(6,243)**	(583)	(11,491)	(11,478)	(16,446)
(Loss)/profit for the period	**(57,734)**	(10,878)	22,354	29,599	37,768
Attributable to:					
Owners of the Company	**(57,313)**	(9,365)	23,527	28,020	37,893
Non-controlling interests	**(421)**	(1,513)	(1,173)	1,579	(125)
Other comprehensive (loss)/ income	**5,725**	(7,616)	(7,813)	93	1,505
Total comprehensive (loss)/ income for the period	**(52,009)**	(18,494)	14,541	29,692	39,273
Attributable to:					
Owners of the Company	**(51,593)**	(17,011)	15,781	28,103	39,400
Non-controlling interests	**(416)**	(1,483)	(1,240)	1,589	(127)
ASSETS AND LIABILITIES					
Non-current assets	**82,826**	33,179	27,609	19,525	12,827
Current assets	**226,321**	201,205	296,300	250,268	189,861
Total assets	**309,147**	234,384	323,909	269,793	202,688
Non-current liabilities	**77,324**	3,924	5,296	2,197	3,778
Current liabilities	**89,981**	59,271	112,119	79,828	113,004
Total liabilities	**167,305**	63,195	117,415	82,025	116,782
Net Assets	**141,842**	171,189	206,494	187,768	85,906
Total equity attributable to owners of the Company	**122,175**	171,197	205,955	185,989	85,715