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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

2019 Annual Report

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FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Results	For the year ended 31 December		
	2019	2018	Change
	HK$'000	HK$'000	
Revenue	**313,941**	197,311	+59.1%
Landscape architecture	**154,114**	156,827	-1.7%
Graphene	**123,474**	—	+123,474
Catering	**36,353**	40,484	-10.2%
Adjusted EBITDA	**54,458**	28,450	+91.4%
Landscape architecture	**21,316**	25,945	-17.8%
Graphene	**28,407**	—	+28,407
Catering	**4,735**	2,505	+89.0%
Loss before tax	**(64,802)**	(49,087)	-15,715
Loss attributable to owners of the parent	**(57,082)**	(36,039)	-21,043
	HK cents	HK cents	
Basic loss per share attributable to ordinary equity holders of the parent	**(12.9)**	(8.5)	-4.4

Results	At 31 December		
	2019	2018	Change
	HK$'000	HK$'000	
Total assets	**1,151,531**	314,167	+266.5%
Net assets	**221,147**	100,417	+120.2%
Shareholder's equity	**220,691**	91,639	+140.8%
Cash and bank balances	**53,882**	85,987	-37.3%
Debt	**517,041**	107,462	+381.1%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Hing Tat Patrick
Mr. Chan Yick Yan Andross
Mr. Tian Ming
Mr. Yang Liu
Mr. Qiu Bin

Non-executive Director

Mr. Ma Lida

Independent non-executive Directors

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

COMPANY SECRETARY

Mr. Kwok Ka Hei

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)*
Ms. Tam Ip Fong Sin
Mr. Wang Yuncai
Mr. Chan Yick Yan Andross

NOMINATION COMMITTEE

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

CORPORATE WEBSITE

www.ea-dg.com

AUTHORISED REPRESENTATIVES

Mr. Kwok Ka Hei
Mr. Chan Yick Yan Andross

ALTERNATES TO AUTHORISED REPRESENTATIVES

Mr. Tian Ming
Mr. Lau Hing Tat Patrick

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR OFFICE

Ocorian Trust (Cayman) Ltd.
(formerly named "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 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

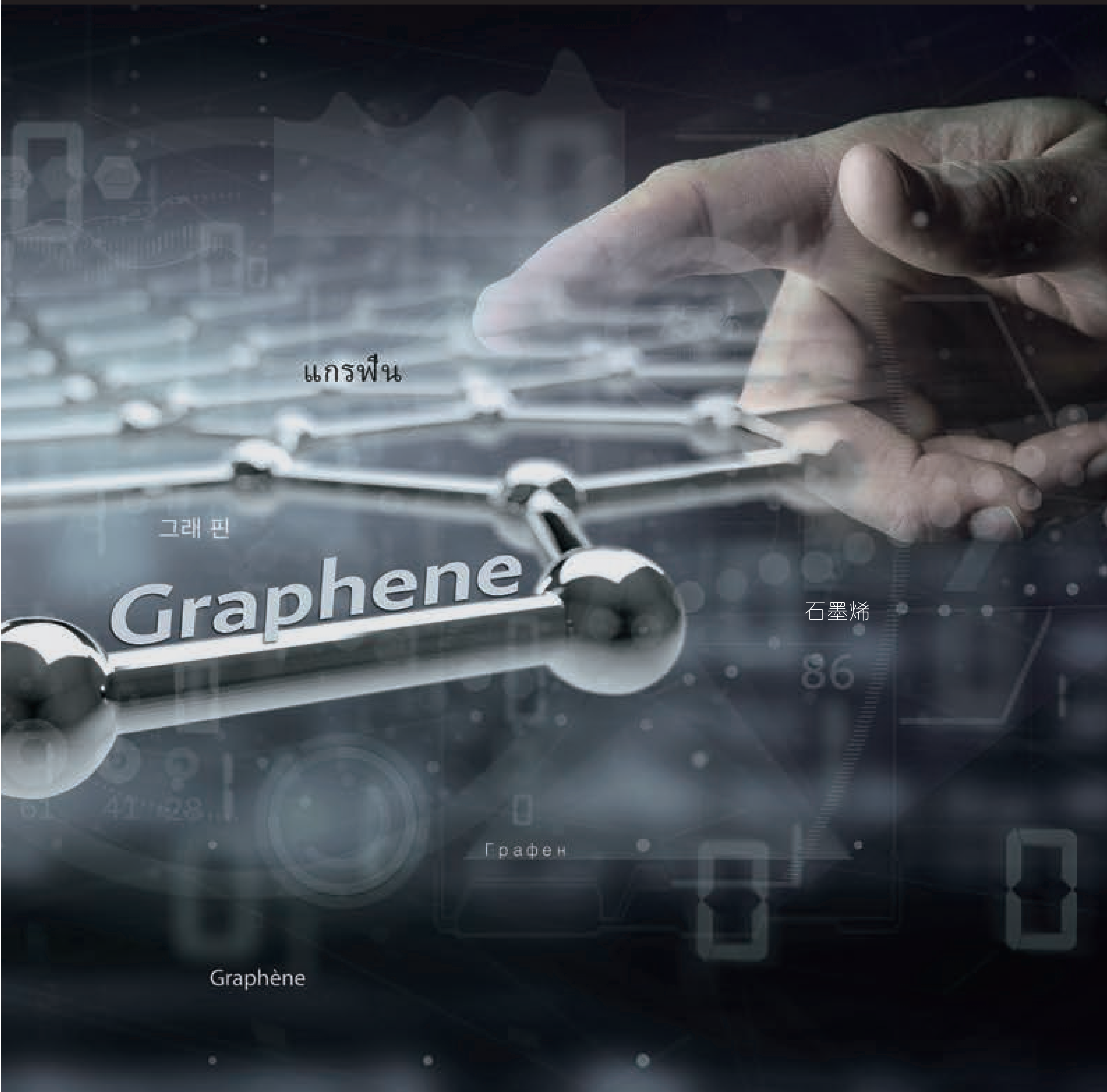
LEGAL ADVISER AS TO HONG KONG

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

AUDITOR

Crowe (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Ray
Hong Kong

CHAIRMAN'S STATEMENT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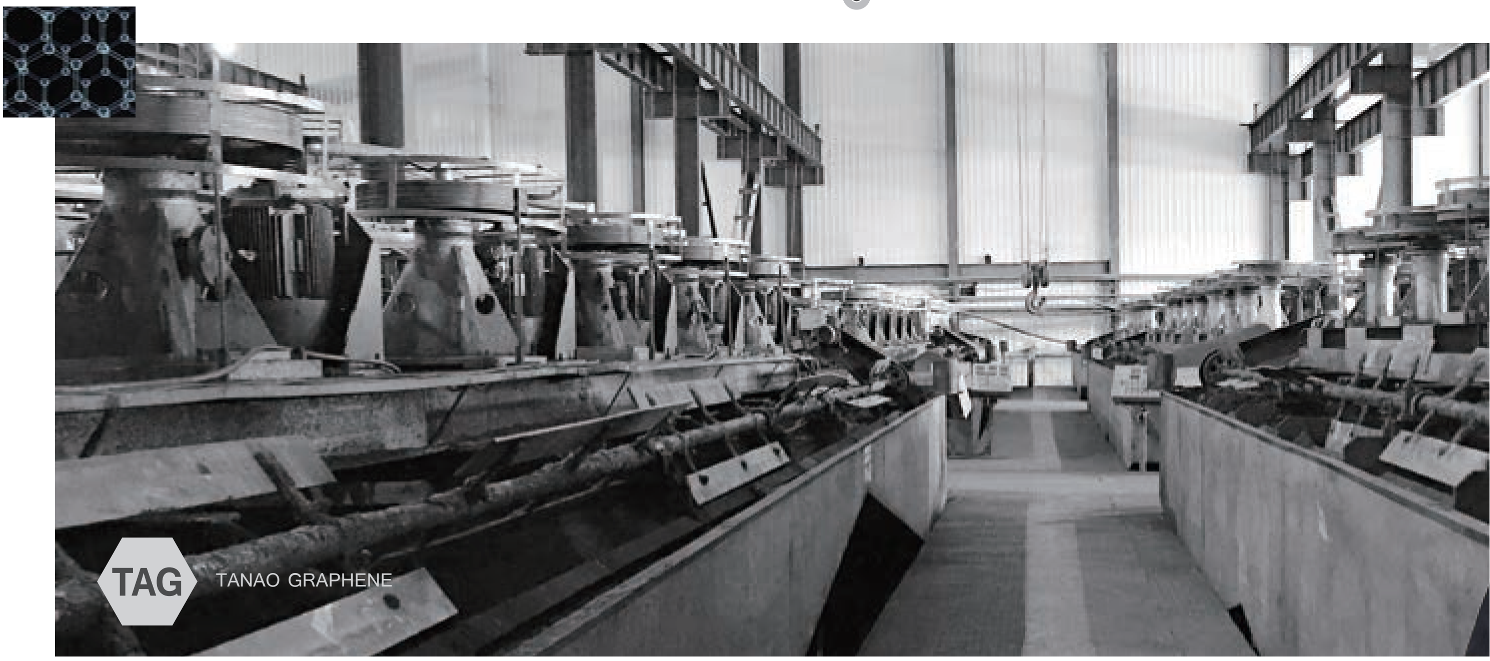
그래 핀
Graphene
石墨烯
Графен
Graphène

CHAIRMAN'S STATEMENT



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.

On 7 August 2019, our Group completed the acquisition of 100% issued share capital of Think High Global Limited and commenced the graphene business. The principal businesses of Think High Global Limited include the development, production and sales of graphene products. It operated research and development and sales of graphene and carbon-related products in Jixi City, Heilongjiang Province through its wholly-owned subsidiaries, Shanghai Tanao New Material Technology Company Limited* and Heilongjiang Mudanjiang Agriculture Tanao Graphene Deep Processing Company Limited*. From 7 August 2019 to 31 December 2019, the graphene segment contributed revenue of approximately HK$123.5 million, representing approximately 39.3% to the Group's total revenue, with an adjusted EBITDA of approximately HK$28.4 million.

Graphene is a thin layer of pure carbon atoms and is the thinnest and hardest nanomaterial known at present. Its features include ultra-thin, ultra-light, ultra-flexible, ultra-high strength, ultra-conductive, excellent thermal conductivity and light transmission. With excellent light transmission, high thermal conductivity, high electron mobility, low resistivity, high mechanical strength, it has broad and huge application potential in electronics, optics, magnetism, biomedicine, catalysis, energy storage and sensors and many other fields. It is a super material that will pilot future high-tech competition. It is called "Black Gold" and "King of New Materials". As a new type of nanomaterial, graphene has huge application potential and revolutionary changes in many fields such as electronic information, new materials, new energy, biomedicine, environmental protection due to its excellent properties. Various countries and international enterprises have dedicated more resources on research and development, production and application of graphene, aiming to grasp the leading edge of the industry.

We believe the graphene segment will be the key contributor to the growth of the Group in the future. Many countries around the world have invested in research, development and production of graphene, and have released or funded a series of graphene related research plans and projects. Several renowned multinational companies have adopted graphene and its application technology as a long-term strategic development direction. Institutions and enterprises specializing in graphene research and development, production and application have also emerged.

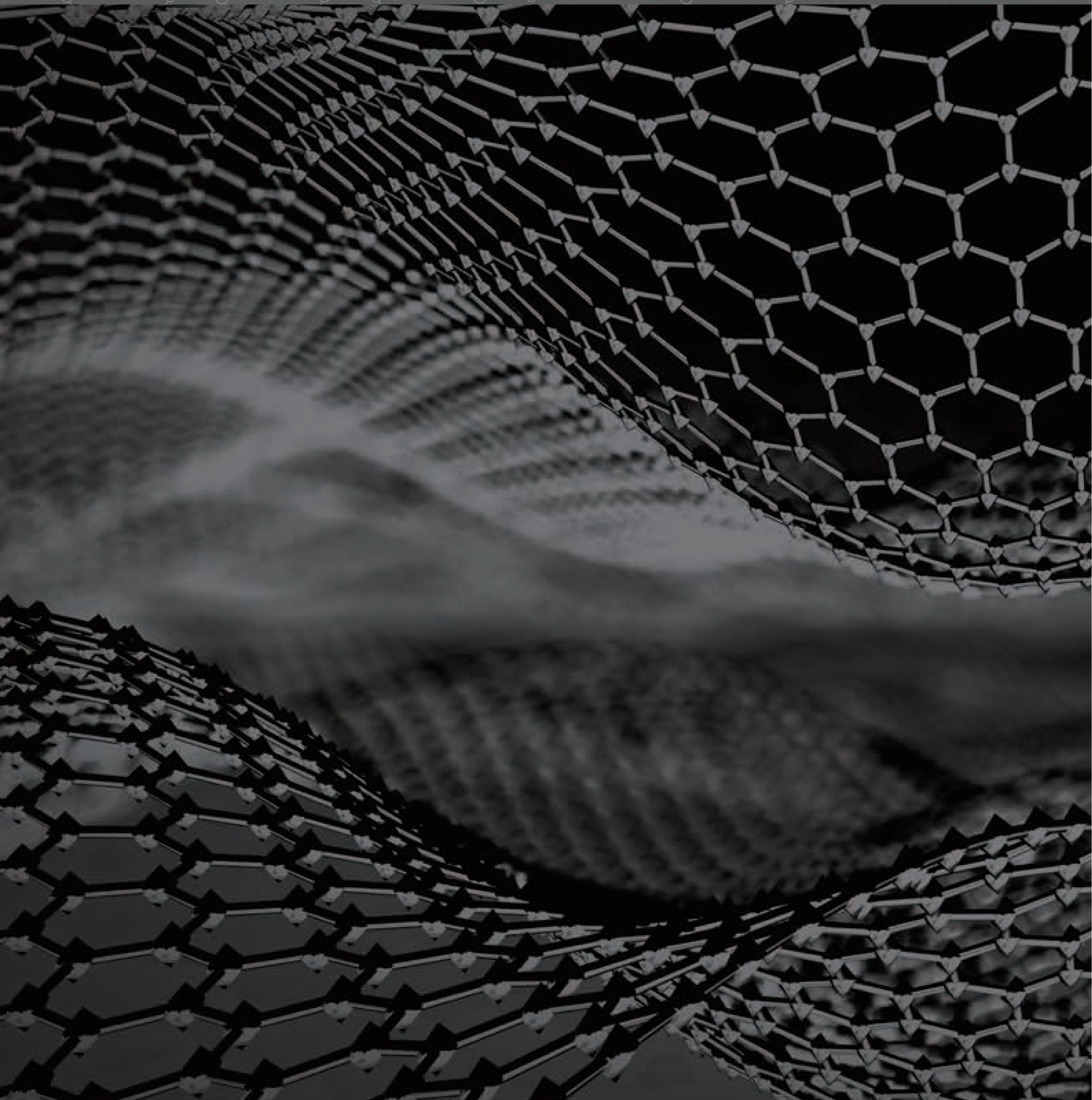
In 2020, the Group will continue to increase its investment in graphene technology and mid-to-upstream products, and plans to launch new products for the production of graphene film heat sink, carbon nanotubes and new battery electrode materials for electric vehicles. Those are expected to enhance the revenue and profit of the Group. Our goal is to be a leading company in the graphene industry. The Group strives to reinforce the graphene industry chain in the future by actively seeking investment opportunities in downstream projects to generate synergies in order to strengthen the Group's position in the graphene industry.

Without compromising a corporate strategy to generate and 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.

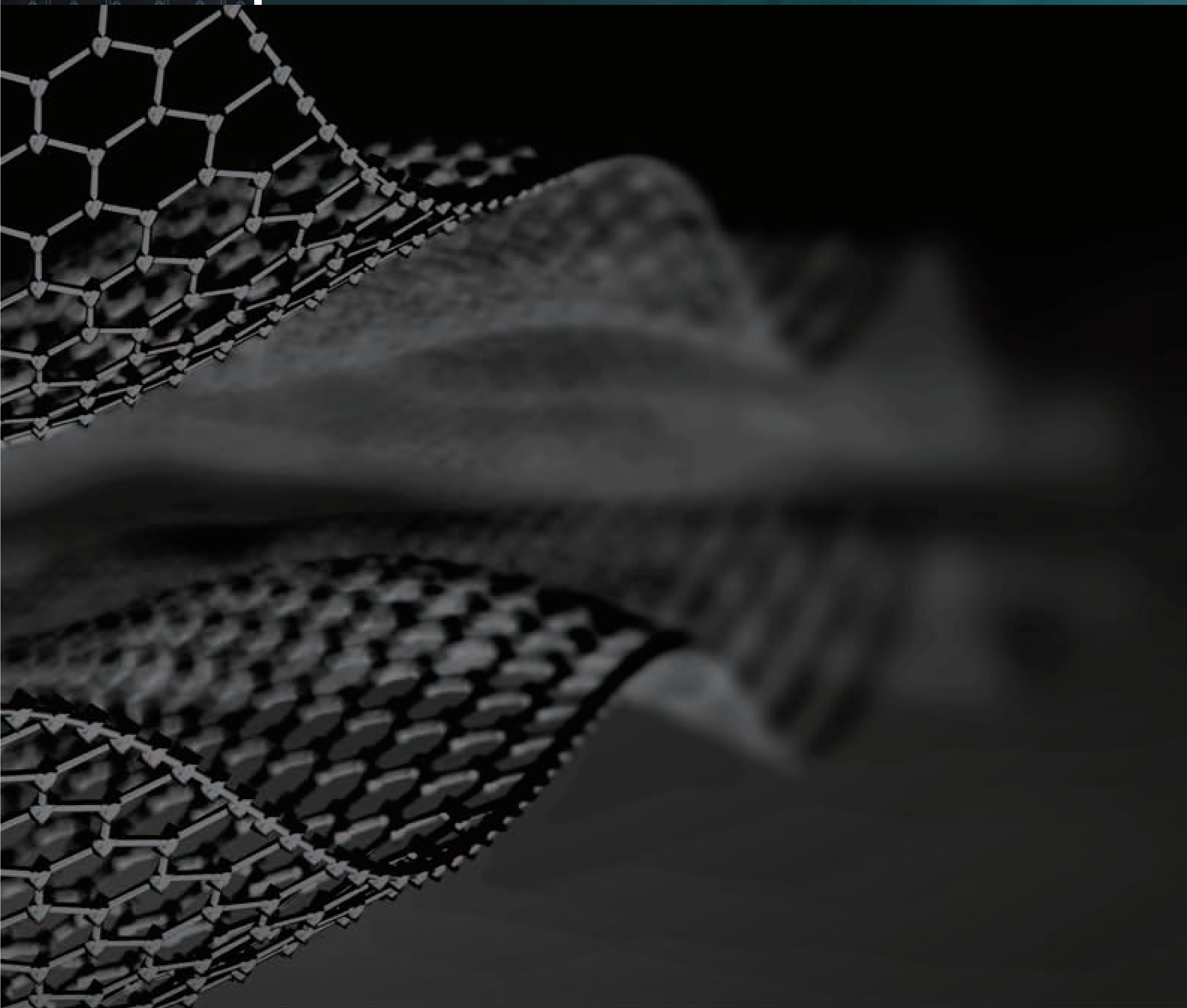
On behalf of the Board, I would like to thank the management team and staff for their dedication and contribution towards our Group's success. Also, I would like to thank all the shareholders, investors and clients' continuous supports. Our management team and all staff members will persist in striving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

Lau Hing Tat Patrick, JP
Chairman

Hong Kong, 14 April 2020



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

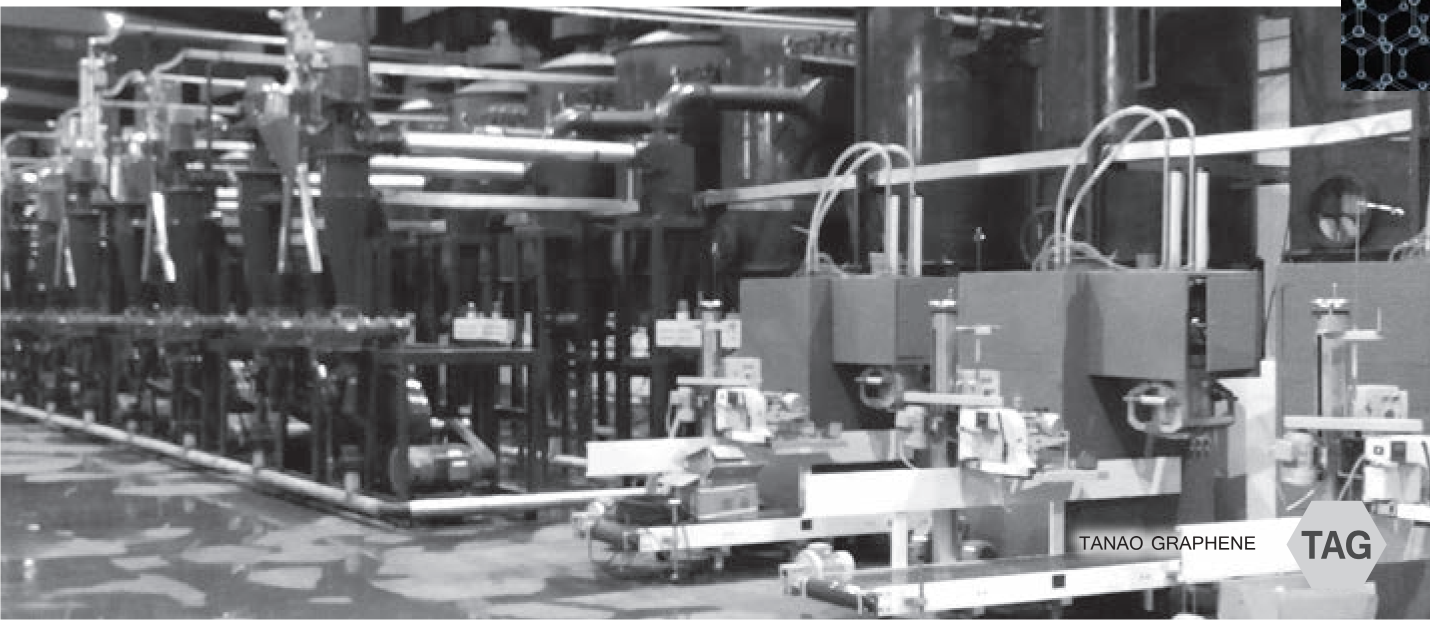
The Group is principally engaged in the provision of landscape architectural services in Hong Kong and the PRC, catering business in Italy and the PRC. In August 2019, the Group completed the acquisition of 100% issued share capital of Think High Global Limited and commenced the manufacturing and sales of graphene and related products. Geographically, the Group's revenue was derived from the Mainland China, Hong Kong, Italy and others.

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 2019, residential development projects continued to be the largest division in terms of revenue, which accounted for approximately 50.0% (2018: 51.1%) of the total revenue among the landscape architecture business. Commercial and mixed-use development projects represented the second largest division in terms of revenue, which accounted for approximately 23.0% (2018: 18.3%) of the total revenue among the landscape architecture business.

For the year ended 31 December 2019, the Group entered into 144 new contracts with a total contract sum of approximately HK$165.7 million for projects located in the PRC and 30 new contracts with a total contract sum of approximately HK$30.1 million for projects located in Hong Kong and others. Geographically, approximately 84.6% of the new contract sum represented projects located in the PRC and approximately 15.4% represented projects located in Hong Kong and others in terms of contract sum.



The number of new contracts and contract sum entered by the Group during 2017 to 2019 are set out as follows:

Year ended 31 December	No. of new contracts	Contract sum (HK$'million)
2019	174	195.8
2018	257	263.5
2017	160	190.2

In 2019, the Group recorded a drop of new contracts from the landscape architecture segment. The new contract decreased to approximately HK$195.8 million for the year ended 31 December 2019, representing a decrease of approximately 25.7%, as compared with that of approximately HK$263.5 million for the year ended 31 December 2018.

Catering Business

The Group's catering business is mainly represented by Thai Gallery (HK) Limited and its subsidiaries (the "Thai Gallery Group") in 2019. Thai Gallery Group mainly managed and operated restaurants serving Thai cuisine in the PRC and Italy under the reputable brand "Thai Gallery (泰廊)". The first Thai Gallery restaurant has been launched in Jing'an Park of Shanghai, the PRC and operated for nearly 20 years. Today, the Thai Gallery restaurant in Shanghai has become an attraction spot to both local residents and foreign visitors. It has been awarded the Best Southeast Asian Restaurant (Reader's Pick) organised by the website Shanghai WOW! It has also received very high popularity and praises in certain food and online restaurant guides such as Dazhong Dianping.

The Group's catering revenue decreased to approximately HK$36.4 million for the year ended 31 December 2019, representing a decrease of approximately 10.2%, as compared with that of approximately HK$40.5 million for the year ended 31 December 2018. The decrease in revenue from the catering segment mainly due to the cease of operations of Suzhou Industrial Park Wenlvge Hotel Management Company Limited (the "Wenlvge") which operates restaurants serving Japanese ramen, Japanese curry and other Japanese-style dishes in the PRC during the year. In addition, the Group also ceased operations of one Thai Gallery restaurant in UPARK, Chengdu and Le Colonial restaurant, which served Vietnamese cuisine in the PRC, during the year due to the worsening operating and market environment.

Graphene Business

The Group completed the acquisition of 100% issued share capital of Think High Global Limited ("Think High") on 7 August 2019. Think High's principal businesses include the development, production and sales of graphene products. Think High operated research and development and sales of graphene and carbon-related products in Jixi City, Heilongjiang Province through its wholly-owned subsidiaries, Shanghai Tanao New Material Technology Company Limited* and Heilongjiang Mudanjiang Agriculture Tanao Graphene Deep Processing Company Limited*. From 7 August 2019 to 31 December 2019, the graphene segment contributed revenue of approximately HK$123.5 million, representing approximately 39.3% of the Group's total revenue, with an adjusted EBITDA of approximately HK$28.4 million.

Graphene is a thin layer of pure carbon atoms and and is the thinnest and hardest nanomaterial known at present. Its features include ultra-thin, ultra-light, ultra-flexible, ultra-high strength, ultra-conductive, excellent thermal conductivity and light transmission. With excellent light transmission, high thermal conductivity, high electron mobility, low resistivity, high mechanical strength, it has broad and huge application potential in electronics, optics, magnetism, biomedicine, catalysis, energy storage and sensors and many other fields. It is a super material that will pilot future high-tech competition. It is called "Black Gold" and "King of New Materials". As a new type of nanomaterial, graphene has huge application potential and revolutionary changes in many fields such as electronic information, new materials, new energy, biomedicine, environmental protection due to its excellent properties. Various countries and international enterprises have dedicated more resources on research and development, production and application of graphene, aiming to grasp the leading edge of the industry.

IMPAIRMENT RELATED TO SUZHOU INDUSTRIAL PARK WENLVGE HOTEL MANAGEMENT COMPANY LIMITED ("WENLVGE")

The Group acquired Wenlvge in December 2017 which operated 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. Since the second half of 2018, however, the Board noted that the financial performance of Wenlvge did not pick up as expected. Due to worsening operating and market environment, Wenlvge underwent a significant downsize in the number of restaurants. There was also a change in appetites of customers such that Japanese ramen and curry became less popular in the PRC. Since April 2019, Wenlvge had completely ceased its operations. For the year ended 31 December 2019, the revenue of Wenlvge decreased to approximately HK$1.4 million from that of approximately HK$11.6 million in 2018. In the first half of 2019, the Group decided to write-off the remaining carrying amount related to Wenlvge of approximately HK$6.3 million. Details of the impairment loss are as follows:

	2019 HK$'000	2018 HK$'000
Goodwill	**328**	1,760
Property and equipment	**—**	4,663
Intangible assets	**4,678**	7,218
Prepayments, deposits and other receivables	**388**	9,044
Financial assets at fair value through profit and loss	**564**	—
Inventories	**391**	670
Total	**6,349**	23,355

IMPAIRMENT RELATED TO THAI GALLERY (HK) LIMITED ("THAI GALLERY")

The Group acquired Thai Gallery in September 2017 which mainly managed and operated restaurants serving Thai cuisine in the PRC and Italy under the brand "Thai Gallery (泰廊)". In 2018, Thai Gallery further launched two additional Thai Gallery restaurants in Chengdu, the PRC, namely Chengdu UPARK Thai Gallery and Chengdu Renhe Mall Thai Gallery. For the year ended 31 December 2019, the revenue of Thai Gallery group increased to approximately HK$32.3 million from that of approximately HK$26.6 million in 2018. Despite a steady growth in revenue, the newly launched restaurants were yet to achieve break-even position. For the year ended 31 December 2019, the Group incurred impairment loss attributable to Thai Gallery's investment mainly because one of the Thai Gallery restaurant in Chengdu, the PRC had ceased its operations due to a flood in July 2019. Accordingly, the cease of operations caused immediate write-off of property and equipment, and inventories. There was also impairment loss against goodwill and brand names allocated to such cash-generating unit.

	2019 HK$'000	2018 HK$'000
Goodwill	**1,979**	—
Property and equipment	**3,310**	723
Intangible assets	**4,594**	1,556
Prepayments, deposits and other receivables	**1,193**	—
Financial assets at fair value through profit and loss	**2,362**	—
Total	**13,438**	2,279

Value of inputs and key assumptions used for the valuation of Thai Gallery

The recoverable amount of the cash-generating unit has been determined based on a current market value calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The discount rate applied to the cash flow projections was 16.33-20.57% (2018: 19.19-28.65%).

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

Budgeted revenue:	The basis used to determine the value assigned to the revenue is the average revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.
Budgeted operating expenses:	The basis used to determine the values assigned are the cost of inventories consumed, staff costs, and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Significant changes in the value of inputs and assumptions from those previously adopted

	31 December 2019		31 December 2018	
	Italy	**PRC**	Italy	PRC
Risk-free rate	**1.24%**	**3.14%**	2.38%	3.31%
Cost of equity	**17.56%**	**20.25%**	17.65%	21.47%
Pre-tax cost of debt	**2.49%**	**4.90%**	2.89%	4.9%
WACC	**12.50%**	**15.49%**	15.42%	19.52%
WACC (pre-tax)	**16.33%**	**20.57%**	19.19%	28.65%

The changes in value of inputs mainly reflect the prevailing market condition and the volatility of the global economy.

There were no significant changes in the basis adopted in the preparation of the projected cash flow compared with those adopted for the previous forecast period, except for exclusion of revenue from Thai Gallery restaurants in Chengdu, the PRC as a base for the projected cash flow owing to the aforesaid closure and downsizing.

Valuation method and reasons for the method

The valuation method of discounted cash flow was adopted for the calculation of the value of the cash-generating unit of Thai Gallery. It requires estimates on future cash flows and associated discount rate and growth rate assumptions which are based on the management's expectation of future business performance and prospects of Thai Gallery. This income approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

The valuation method of fair value less costs of disposal was not adopted because there is no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the cash-generating unit under the prevailing market condition.

Subsequent changes to the valuation method

There was no significant change in the valuation method. The valuation method of discounted cash flow has been consistently applied in the valuation on the cash-generating unit of Thai Gallery since the acquisition date throughout the reporting period.

The Group engaged an independent valuer to perform the valuation on the cash-generating unit of Thai Gallery as at 5 December 2017, being the acquisition date, 31 December 2018 and 2019.

More details are set out in note 14 and 38 to the consolidated financial statements in this annual report.

PROFIT GUARANTEES IN RELATION TO THE ACQUISITIONS

1. Acquisition of Thai Gallery (HK) Limited

On 30 September 2017, the Group completed the acquisition of 51% issued share capital of Thai Gallery (HK) Limited from independent third party vendors at a consideration of RMB19,380,000. Pursuant to the acquisition agreement and supplemental agreements thereto, the vendors guaranteed to the Group that the total audited net operating profit after tax of Thai Gallery (HK) Limited, excluding two Chengdu restaurants, for each of the three financial years ending 31 December 2021 shall be not less than RMB6,000,000, RMB7,000,000 and RMB8,000,000 respectively.

Based on the preliminary unaudited figures available to the Company, the consolidated net operating profit after tax of Thai Gallery (HK) Limited for the year ended 31 December 2019 was approximately RMB6 million and probably fulfilled to meet the profit guarantee of RMB6,000,000 to the Group. The auditor is in the course of finalising the auditor's report of the Thai Gallery (HK) Limited. The Company will keep the shareholders and potential investors of the Company informed of any further significant development as and when appropriate.

Further details were set out in the Company’s announcements dated 6 February 2017, 14 February 2017, 17 March 2017, 25 August 2017, 12 December 2017, 14 December 2017, 23 August 2019 and 2018 annual report.

2. Acquisition of Suzhou Industrial Park Wenlvge Hotel Management Company Limited

On 1 December 2017, the Group completed the acquisition of 51% equity interest in Wenlvge from independent third party vendors at a consideration of RMB10,200,000. Pursuant to the acquisition agreement, the aforesaid vendors jointly and severally guaranteed to the Group that the audited net profit after tax of Wenlvge for each of the three financial years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not be less than RMB2,570,000. Further details are set out in the Company’s announcements dated 29 March 2017, 1 December 2017, 4 December 2017, 3 April 2019 and 2018 annual report.

According to the auditor's report of Wenlvge dated 28 February 2019, the audited net loss of Wenlvge for the year ended 31 December 2018 was approximately RMB4.1 million and therefore failed to meet the profit guarantee of RMB2,570,000 to the Group. Since April 2019, Wenlvge has ceased its operations. The vendors shall make compensation of approximately RMB26.3 million to the Group in accordance with the following formula:

$$\text{Compensation} = \left[\text{RMB2,570,000} - \begin{matrix}\text{Actual amount of} \\ \text{annual net profit after} \\ \text{tax for the relevant} \\ \text{financial year}\end{matrix} \right] \times \frac{\text{RMB20,000,000}}{\text{RMB2,570,000}} \times 51\%$$

Pursuant to the agreement, the vendors were obliged to make the compensation to the Group within 10 working days after the issuance of auditor's report. However, the Group has not received any compensation from the vendors despite repeated requests. Having sought the legal advice, the Group has filed a claim of approximately RMB26.3 million towards the vendors for the compensation at the Shanghai International Arbitration Center in May 2019. The arbitration hearing was conducted in September 2019. As of the date of this annual report, the Company has not received the final results from the arbitrator. The Company will keep the shareholders and potential investors of the Company informed of any further significant development as and when appropriate.

3. Acquisition of Think High Global Limited

On 7 August 2019, the Group completed the acquisition of 100% issued share capital of Think High Global Limited from Tycoon Partner Holding Limited, an independent third party, at a consideration of approximately HK$692,000,000. Pursuant to the acquisition agreement and supplemental agreements thereto, the vendor guaranteed to the Group that the audited consolidated profits after tax of Think High Global Limited for the period ending 6 August 2022 as follows:

Guaranteed period	Guaranteed profit
For the period from 7 August 2019 to 31 December 2019	HK$14,095,000
For the year ending 31 December 2020	HK$35,000,000
For the year ending 31 December 2021	HK$35,000,000
For the period from 1 January 2022 to 6 August 2022	HK$20,905,000

Based on the audited figures available to the Company, the consolidated net profits after tax of Think High Global Limited from 7 August 2019 to 31 December 2019 was approximately HK$20,838,000 and fulfilled to meet the profit guarantee of HK$14,095,000 to the Group.

Further details were set out in the Company's announcements dated 31 January 2018, 24 October 2018, 7 August 2019, 13 November 2019 and the circular dated 20 December 2018.

The Company assessed the recoverable amount of the Group's goodwill, patents, trademarks, customer relationships and right-of-use assets and fair value of the profit guarantee in respective of the Graphene business at acquisition date and 31 December 2019. Further details were set out in note 13, 14, 15 and 36 to the consolidated financial statements in this annual report.

FINANCIAL REVIEW

Revenue

Revenue increased to approximately HK$313.9 million for the year ended 31 December 2019, representing an increase of approximately 59.1%, as compared with that of approximately HK$197.3 million for the year ended 31 December 2018. The increase was mainly attributable to the acquisition of Think High Global Limited in August 2019 which contributed approximately HK$123.5 million of revenue to the Group.

The revenue of the landscape architecture segment slightly decreased by approximately 1.7% to approximately HK$154.1 million in 2019, compared with that of approximately HK$156.8 million in 2018. The revenue of the catering segment also decreased to approximately HK$36.4 million from approximately HK$40.5 million, representing a drop of approximately 10.2%.

Cost of sales

Cost of sales increased to approximately HK$167.6 million for the year ended 31 December 2019, representing an increase of approximately of 101.5%, as compared with that of approximately HK$83.2 million for the year ended 31 December 2018. Cost of sales mainly represented staff cost in respect of the landscape architecture segment and cost of inventories in respect of the catering and graphene segment. The increase was generally in line with the increase in revenue derived from the manufacturing and sales of graphene and related products.

Gross profit and gross profit margin

As a result, gross profit increased to approximately HK$146.4 million for the year ended 31 December 2019, representing an increase of approximately 28.2%, as compared with that of approximately HK$114.2 million for the year ended 31 December 2018.

Gross profit margin decreased by approximately 11.3 percentage points to approximately 46.6% for the year ended 31 December 2019, as compared with that of approximately 57.9% for the year ended 31 December 2018. The overall decrease in gross profit margin was due to the addition of graphene segment, which had a gross profit margin relatively lower than that of the Group’s landscape architecture segment and catering segment.

Selling, marketing, administrative, impairment and other expenses

The overall increase in the expenses level in 2019 was due to the addition of the graphene segment which was acquired in August 2019. The amortisation expenses increased to approximately HK$22.6 million compared with that of approximately HK$5.8 million in 2018 due to the increase of intangible assets such as trademarks, patents and customer relationships. The research and development costs also accounted for approximately HK$16.8 million compared with that of approximately HK$6.7 million in 2018 due to development on application of graphene and related products.

During the year ended 31 December 2019, we have further written down our investment in Wenlvge which had ceased its operation in the first half of 2019. In addition, the Group incurred impairment loss of goodwill, property and equipment, and intangible assets attributable to Thai Gallery’s investment because one of the Thai Gallery restaurant in Chengdu had ceased its operations during the year.

Net loss

As a result of the foregoing, the loss attributable to owners of the parent was approximately HK$57.1 million for the year ended 31 December 2019, as compared with loss attributable to owners of the parent of approximately HK$36.0 million for the year ended 31 December 2018.

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 2019 HK$'000	As at 31 December 2018 HK$'000
Current assets	**282,558**	194,614
Current liabilities	**252,998**	163,570
Current ratio	**1.1x**	1.2x

The current ratio of the Group at 31 December 2019 was approximately 1.1 times as compared to that of approximately 1.2 times at 31 December 2018. The decrease was mainly due to a drop of cash and bank balances whilst the 2-year term corporate bonds became mature and rise in lease liabilities, and other payables and accruals.

At 31 December 2019, the Group had a total cash and bank balances of approximately HK$53.9 million (31 December 2018: HK$86.0 million). The cash and bank balances were mainly held in HKD and RMB.

At 31 December 2019, the Group's gearing ratio was approximately 233.8% (represented by total interest-bearing other borrowings and promissory note at the end of the period divided by total equity at the end of the respective period multiplied by 100%) (31 December 2018: 107.0%).

The capital structure of the Company mainly comprised issued ordinary shares and debt securities. As of 31 December 2019, the Company had outstanding issued bonds of approximately HK$195.9 million, issued promissory notes of approximately HK$281.3 million and 482,290,000 shares ordinary shares in issue.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2019.

Pledge of assets

The Group had no significant pledge of assets as at 31 December 2019.

Capital commitment

The Group had no significant capital commitment as of 31 December 2019.

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 2019, the Group had around 607 employees (31 December 2018: 596 employees), including managed operations. Employees are remunerated according to nature of the job, market trend and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

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

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. During the year ended 31 December 2019, there was no share option granted (2018: nil 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, 8 December 2017 and 25 June 2019 (the "Announcements"), the Company as the Lender entered into a loan agreement (the "Loan Agreement") on 25 June 2019 with the borrower pursuant to which the Lender agreed to provide an unsecured revolving loan facility (the "Revolving Loan Facility") in the amount of HK$50,000,000 at an interest rate of 12% per annum during the availability period from 25 June 2019 to 31 December 2021. Subject to the terms and conditions, the 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 the loan agreement:

	Third Renewal Agreement
Date of agreement:	25 June 2019
Borrower:	Earthasia Worldwide Holdings Limited
Revolving facility amount:	Up to HK$50,000,000
Interest rate per annum:	12%
Availability period:	25 June 2019 to 31 December 2021
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 loan 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 2019, there was an outstanding loan balance of approximately HK$6.4 million due from the borrower to the Company.

In relation to the provision of financial assistance by the Company to the Borrower, a combined statement of financial position of the Borrower as at 31 December 2019 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

2019	HK$'000
Cash and cash equivalents	2,496
Other current assets	47,139
Current assets	49,635
Non-current assets	225
Current liabilities	(65,416)
Non-current liabilities	(576)
Net assets/(deficiency in assets)	(16,132)
Reconciliation to the Group's interests in the joint venture:	
Proportion of the Group's ownership	30.0%
Carrying amount of the investment	—
Revenue	180,898
Interest expense	(7,048)
Loss for the year	(5,424)
Loss and total comprehensive loss for the year	(5,424)

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are set out in note 50 to the consolidated financial statements in this annual report.

PROSPECTS

It is expected that 2020 will be full of challenges and uncertainties. The recent outbreak of the coronavirus disease to various countries and regions, coupled with the development of China-US trade tensions and a sharp fall in international oil prices, have posed uncertainties on the global economy and business outlook of the Group.

As to landscape architecture segment in Hong Kong and the PRC, the various external and domestic factors that affected the Hong Kong economy last year continue to affect the economic performance during 2020. However, we believe the impact on the Group in this segment is relatively mild given a relatively stable contract backlogs of our design projects which are of continuing and ongoing basis. Our people can work from home during the disruption period. It is expected that the PRC Government may further increase expenditure on public infrastructure to combat the coronavirus which may have positive impact on this segment.

As to catering segment, the Group has followed the PRC Government policy to temporarily suspend operations of certain restaurants in Chengdu and Shanghai, the PRC for a couple of weeks since the Chinese new year. In March 2020, one of the Group's Thai Gallery restaurant in Milan, Italy was also suspended due to the widespread of the coronavirus disease across Italy. We believe the prospect of our catering segment is full of uncertainties. There may be a weakening demand due to decline of inbound visitors in the next couple of months through tightened border control measures by different governments.

As to graphene segment, the Group completed the acquisition of 100% issued share capital of Think High Global Limited in August 2019 and commenced the graphene business. Despite a suspension of operations of the graphene production factory in Jixi, Heilongjiang province, the PRC in the first quarter, we believe the graphene segment will likely be the key contributor to the growth of the Group in the future. Meanwhile, many countries around the world have invested in research, development and production of graphene, and have released or funded a series of graphene related research plans and projects. Several renowned multinational companies have adopted graphene and its application technology as a long-term strategic development direction. Institutions and enterprises specializing in graphene research and development, production and application have also emerged.

The Company currently has 16 patented technologies in this field, and are applying other 5 patents. The main products include nano-sized spherical graphite and high-purity graphite. The main scope of its application includes automotive power batteries and lithium-ion batteries, battery conductive agents, refractory materials for the steel industry, and heat sink materials for precision electronics.

In 2020, the Group will continue to increase its investment in graphene technology and mid-to-upstream products, and plans to launch new products for the production of graphene film heat sink, carbon nanotubes and new battery electrode materials for electric vehicles. Those are expected to enhance the revenue and profit of the Group. Our goal is to be a leading company in the graphene industry. The Group strives to reinforce the graphene industry chain in the future by actively seeking investment opportunities in downstream projects to generate synergies in order to strengthen the Group's position in the graphene industry.

2020 will be full of uncertainties as well as opportunities. The Directors believe the joint efforts of our management and staff can broaden the revenue streams of the Group and will have overall improvements in 2020. The Directors will continue to explore new business and investment opportunities that may generate additional income to the Group.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lau Hing Tat Patrick (劉興達), JP, aged 60, is the Chairman of the Board and an executive Director since 25 November 2013. He has over 36 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 corporate and operational 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 a 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 Town Planning Appeal Board Panel and 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 Community Involvement Committee on Greening from March 2011 to February 2013, (ii) the Harbour-front Enhancement Committee from May 2004 to August 2009, (iii) the Harbourfront Commission from July 2010 to June 2013, (iv) 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 0.41% 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 vice versa. Accordingly, taking into account of Ms. Keung's interest in the Company, Mr. Lau's interest in the Company is approximately 10.99%.

Mr. Chan Yick Yan Andross (陳奕仁), aged 57, is the Chief Executive Officer and an executive Director since 25 November 2013. He has over 34 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 corporate and operational 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 a 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 95,006,887 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 99,210,887 Shares, representing approximately 20.57% of the issued share capital of the Company.

Mr. Tian Ming (田明), aged 64, is an executive Director since 25 June 2014. He has over 32 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 is 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 0.81% of the issued share capital of the Company.

Mr. Yang Liu (楊鎏), aged 46, 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 a 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 12 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, shares of which are listed on the Main Board of the Stock Exchange) from 17 July 2015 to 16 May 2017.

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 48, 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 a 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, shares of which are listed on the GEM Board of the Stock Exchange and delisted on 2 July 2019) from 1 January 2013 to 2 June 2017.

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 39, is a non-executive Director since 24 February 2014. He has over 13 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 1,160,000 Shares by himself, representing approximately 0.24% of the issued share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tam Ip Fong Sin (談葉鳳仙), aged 53, is an independent non-executive Director since 3 June 2014. She has over 15 years of experience in legal practice specialising in 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 has become a sole proprietor of Frances Ip & Co., Solicitors since July 2019.

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 55, is an independent non-executive Director since 3 June 2014. He has over 28 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 from 28 August 2013 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.

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 52, is an independent non-executive Director since 3 June 2014. He has been studying and teaching for architecture and urban planning for over 18 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.

CHANGES IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

SENIOR MANAGEMENT

Mr. Kwok Ka Hei (郭嘉熙), aged 38, is the company secretary of the Company. He has also been the chief financial officer of the Company since 28 March 2014. He has over 14 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 46, is the financial controller of Earthasia Limited. She was the company secretary of the Company from 24 February 2014 to 10 July 2018. 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 2019. 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 2019.

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.

DIVIDEND POLICY

The Company has adopted a dividend policy since 8 January 2019 (the "Dividend Policy") which allows the shareholders of the Company to share the profits of the Company whilst retaining adequate reserves for the Group's future growth. According to the Dividend Policy, in addition to the final dividends, the Company may declare interim dividends or special dividends from time to time.

Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others, the Group's actual and expected financial performance, retained earnings and distributable reserves, working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, shareholders' interests, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group and other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations.

The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and modify the Dividend Policy at any time.

BOARD DIVERSITY POLICY

The Group adopted a board diversity policy (the "Board Diversity Policy"). A summary of this policy, together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of board diversity policy

The Company recognizes and embraces the benefits of having a diverse board to the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the board. In designing the board's composition, board diversity has considered a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the board.

Measurable objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the board.

Implementation and monitoring

The nomination committee reviews the board's composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy annually.

The nomination committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy.

NOMINATION POLICY

The Group has adopted a nomination policy (the "Nomination Policy") since 31 December 2018. A summary of this policy is disclosed as below.

1. Objective

1.1 The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

1.2 The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders of the Company for election as Director at general meetings or appoint him/her to fill casual vacancies.

1.3 The Nomination Policy helps the Nomination Committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business.

2. Selection criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

(1) Reputation for integrity;

(2) Commitment in respect of available time and relevant interest; and

(3) Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

3. Nomination procedures

3.1 Appointment of Directors

(1) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy of the Company, and assesses the independence of the proposed independent non-executive Director(s) as appropriate.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

(4) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy will be subject to re-election by shareholders at the first general meeting after his/her appointment, and individual(s) appointed by the Board as an addition to the Board will be subject to re-election by shareholders at the next annual general meeting, in accordance with the Company's articles of association.

(5) The shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

3.2 Re-appointment of Directors

(1) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of each retiring independent non-executive Director.

(2) The Nomination Committee makes recommendation(s) to the Board.

(3) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy.

(4) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's articles of association.

(5) The shareholders approve the re-election of Directors at the annual general meeting.

3.3 The Board shall have the ultimate responsibility for all matters relating to the selection and appointment of Directors.

4. Review of the nomination policy

4.1 The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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 2019, 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.

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
	Mr. Qiu Bin
Non-executive Director	Mr. Ma Lida
Independent non-executive Directors	Ms. Tam Ip Fong Sin
	Mr. Wong Wang Tai
	Mr. Wang Yuncai

Pursuant to Article 108(a) of the articles of association of the Company (the "Articles"), Mr. Yang Liu, Mr. Wang Yuncai and Mr. Wong Wang Tai will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Monday, 15 June 2020. Mr. Yang Liu and Mr. Wang Yuncai, being eligible, will offer themselves for re-election whereas the Company has been informed by Mr. Wong Wang Tai that he will not offer himself for re-election and will retire as an independent non-executive Director with effect from the close of the forthcoming annual general meeting.

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 develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- 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 the independent non-executive Directors at least annually without the presence of other Directors. 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 thirteen meetings in 2019. The annual general meeting of the Company was held on 3 June 2019 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 2019 is set out in the following table:

	Meetings attended in 2019[1]				
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Executive Directors					
Mr. Lau Hing Tat Patrick *(Chairman of the Board and the Nomination Committee)*	11/13	–	1/1	–	2/2
Mr. Chan Yick Yan Andross *(Chief Executive Officer)*	11/13	–	–	1/2	2/2
Mr. Tian Ming	9/13	–	–	–	0/2
Mr. Yang Liu	13/13	–	–	–	1/2
Mr. Qiu Bin	13/13	–	–	–	1/2
Non-executive Director					
Mr. Ma Lida	11/13	0/3	–	–	0/2
Independent non-executive Directors					
Ms. Tam Ip Fong Sin	10/13	2/3	1/1	0/2	1/2
Mr. Wong Wang Tai *(Chairman of the Audit Committee and the Remuneration Committee)*	13/13	3/3	–	2/2	1/2
Mr. Wang Yuncai	13/13	3/3	1/1	2/2	0/2

Note:

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

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 2019
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	A & B
Mr. Qiu Bin	A & B
Mr. Ma Lida	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 2019, the Audit Committee held three meetings to, among others, review the audit plan and approve the audit fee for the year ended 31 December 2019, reviewed the Group's internal control, the final results and annual report of the Group for the year ended 31 December 2018 and the interim results and interim report of the Group for the six months ended 30 June 2019, 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 2019, 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 2019.

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 the 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 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 2019, no new Director was appointed. One meeting was held by the Nomination Committee to recommend the re-appointment of the Directors standing for re-election at the annual general meeting, to review the size, structure, composition as well as diversity of the Board, to assess the independence of independent non-executive Directors and to consider the re-election of the Directors. The Nomination Committee has also reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the objectives of the Board Diversity Policy during the year under review.

Corporate governance function

All members of the Board are responsible for performing the corporate governance functions which is in compliance with paragraph D.3.1 of the CG. The Board will review the policy of the corporate governance and the corporate governance report of the Company annually.

AUDITORS' 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	**2019**	2018
Audit services	**4,415**	2,910
Non-audit services (i.e. tax services, incorporation, certification, etc.)	**490**	1,722
Total	**4,905**	4,632

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.
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.

Principal Risks	Risk Titles	Risk Descriptions	Risk Mitigations
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 and Italy and may be exposed to different and changing government policies, political, social, legal and regulatory requirements.	The Group has internal procedures 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 47 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 for 2019, 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 internal audit 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 function, which is consisted of professional staff with relevant expertise. The internal audit 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 internal audit 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 Audit Committee and the Board 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 54, 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 Stock Exchange.

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 2019.

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 activities of the Group are landscape architecture in Hong Kong and Mainland China, catering business in Mainland China and Italy, and graphene business in Mainland China.

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 2019 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 47 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 non-compliance 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 2019.

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 2019. Details are set out in the Environment, Social and Governance Report.

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, and the Environmental, Social and Governance Report of this annual report .

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 services and products 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, 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 2019, 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 2019, 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 2019 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 2019 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 2019. A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on the last page of this annual report.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, 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, 15 June 2020. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong ("Branch Share Registrar") not later than 4:30 p.m. on Tuesday, 9 June 2020.

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

Acquisitions

On 7 August 2019, Upworth Capital Limited, a wholly-owned subsidiary of the Company completed the acquisition of 100% issued share capital of Think High Global Limited from Tycoon Partner Holding Limited, an independent third party, at a consideration of HK$692,000,000. The consideration was payable as to (i) cash in the amount of HK$210,000,000, (ii) 48,000,000 consideration shares at the issue price of HK$4.02 per share to the vendor, and (iii) a promissory note with principal amount of HK$348,080,000 being unsecured, coupon interest bearing at 2% per annum and repayable on 6 August 2023 to the vendors. Details of which was further disclosed in the Company's announcements dated 31 January 2018, 24 October 2018, 7 August 2019, 13 November 2019 and the circular dated 20 December 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 2019.

USE OF PROCEEDS

On 25 June 2014, the actual net proceeds raised from the initial public offering were approximately HK$88.8 million. The Group had unutilized IPO net proceeds of approximately HK$38.5 million as of 30 June 2019. The original plan to apply such net proceeds included acquisition of offices and establishment of certain new branch offices in the PRC which did not subsequently materialize because of the economic outlook, challenges and uncertainties in the landscape architecture industry. On 25 October 2019, the Directors were of the view that pursuing the original plan may not represent the best strategy of the Group having considered the current market volatility, intense industry competitions and the depreciation pressure of RMB.

In order to broaden the revenue streams, the Group commenced the catering business through the acquisition of Thai Gallery (HK) Limited in September 2017 and commenced the graphene business through the acquisition of Think High Global Limited in August 2019. In this connection, the Group has committed borrowings to finance the above acquisitions and support the additional working capital needs. Therefore, the Group decided to reallocate the unutilised IPO net proceeds of approximately HK$38.5 million for payment of interest expenses, repayment of borrowings and for working capital purpose. The Board considers that the reallocation of remaining unutilised net proceeds is in line with the Group's latest business strategy. The Company considers that the reallocation of remaining net proceeds will help to meet the financial needs and enhance the flexibility of financial management, which is in the interests of the Company and its shareholders as a whole.

Uses	Original allocation HK$ million	Utilised net proceeds up to 30 June 2019 HK$ million	Utilised since change of use of proceeds on 25 October 2019 HK$ million	Remaining balance as of 31 December 2019 HK$ million
Capital expenditure for expansion of landscape architecture services	35.5	35.5	—	—
Capital expenditure for establishment of new regional offices	26.6	5.9	—	—
Establishment of new branch offices	8.9	—	—	—
Sales and advertising	8.9	—	—	—
Working capital	8.9	8.9	—	—
Repayment of borrowings and interest expenses	—	—	38.5	—
Total	88.8	50.3	38.5	—

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB5,000 (2018: HK$6,000).

PROPERTY AND EQUIPMENT

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

BANK AND OTHER BORROWINGS

Details of interest-bearing other borrowings of the Group as at 31 December 2019 are set out in note 29 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 33 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 2019 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 2019, 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 2019, 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$209.6 million. The amount of HK$209.6 million includes the Company's share premium account of approximately HK$342.6 million in aggregate at 31 December 2019, 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 49 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 2019, the percentage of purchases attributable to the largest supplier and the 5 largest suppliers combined accounted for approximately 31.8% and 92.7% of the total purchases of the Group respectively. The percentage of revenue from sales of goods or rendering of services attributable to the largest customer and the 5 largest customers combined accounted for approximately 8.8% and 25.4% of the total revenue of the Group respectively.

None of the Directors, their close 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
	Mr. Qiu Bin
Non-executive Director	Mr. Ma Lida
Independent non-executive Directors	Ms. Tam Ip Fong Sin
	Mr. Wong Wang Tai
	Mr. Wang Yuncai

Pursuant to Article 108(a), Mr. Yang Liu and Mr. Wang Yuncai will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. The Company has been informed by Mr. Wong Wang Tai that he will not offer himself for re-election and will retire as an independent non-executive Director with effect from the close of the forthcoming annual general meeting.

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 43 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 is 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 2019.

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 2019, 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 and underlying shares

		Number of Shares				Number of underlying Shares held under the Share Option Scheme		Approximate
Name of Director	Capacity	Personal interest	Family interest	Corporate interest	Other interest	Option Scheme	Total	% of shareholding
Chan Yick Yan Andross	Beneficial owner, interest of controlled corporation	4,204,000	–	94,006,887[1]	–	–	98,210,887	20.36%
Lau Hing Tat Patrick	Beneficial owner, interest of spouse, interest of controlled corporation	5,008,000	1,980,000	46,003,444[2]	–	–	52,991,444	10.99%
Tian Ming	Beneficial owner	3,930,000	–	–	–	–	3,930,000	0.81%
Ma Lida	Beneficial owner	1,160,000	–	–	–	–	1,160,000	0.24%

Notes:

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

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

Long position in the shares of associated corporations of the Company

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

Saved as disclosed above, as at 31 December 2019, 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 2019, so far as the Directors and chief executive of the Company are aware, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

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	19.49%
PBLA Limited[2]	Beneficial owner	75,223,669	15.60%
Pubang Landscape Architecture (HK) Company Limited[2]	Interest of controlled corporation	75,223,669	15.60%
Pubang Landscape Architecture Company Limited[2]	Interest of controlled corporation	75,223,669	15.60%
Tycoon Partner Holdings Limited[3]	Beneficial owner	48,000,000	9.95%
Yang Bo[3]	Interest of controlled corporation	48,000,000	9.95%
Shen Taoyu[3]	Interest of controlled corporation	48,000,000	9.95%

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximate % of shareholding
Wu Wenbei[3]	Interest of controlled corporation	48,000,000	9.95%
Gao Xin[4]	Beneficial owner, interest of controlled corporation	47,996,000	9.95%
LSBJ Holdings Limited[5]	Beneficial owner	46,003,444	9.54%
Profit King Investment Development Limited[4]	Beneficial owner	27,000,000	5.60%

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. Tycoon Partner Holdings Limited is owned as to 40%, 30% and 30% by Mr. Yang Bo, Mr. Shen Taoyu and Mr. Wu Wenbei respectively. Accordingly, each of them is deemed to be interested in the shares of the Company held by Tycoon Partner Holdings Limited under the SFO.
4. Mr. Gao Xin holds 20,996,000 Shares by himself and 27,000,000 Shares through Profit King Investment Development Limited, a company incorporated in the British Virgin Islands. The issued share of Profit King Investment Development Limited is wholly owned by Mr. Gao Xin.
5. 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.

During the year ended 31 December 2019, there were no share options granted, exercised, cancelled or lapsed. As at 1 January and December 2019, the Company had nil share options outstanding under the Share Option Scheme.

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.

More details of the share options are set out in note 34 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 2019, 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 2019, 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	2019 HK$'000	2018 HK$'000
Non-exempt continuing connected transactions		
(i) Contract revenue from Pubang, a substantial shareholder of the Company	**3,032**	4,563
(ii) Subcontracting and referral fee to Pubang	**–**	–

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 announcements of the Company dated 14 March 2017 and 17 December 2019. 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 43 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

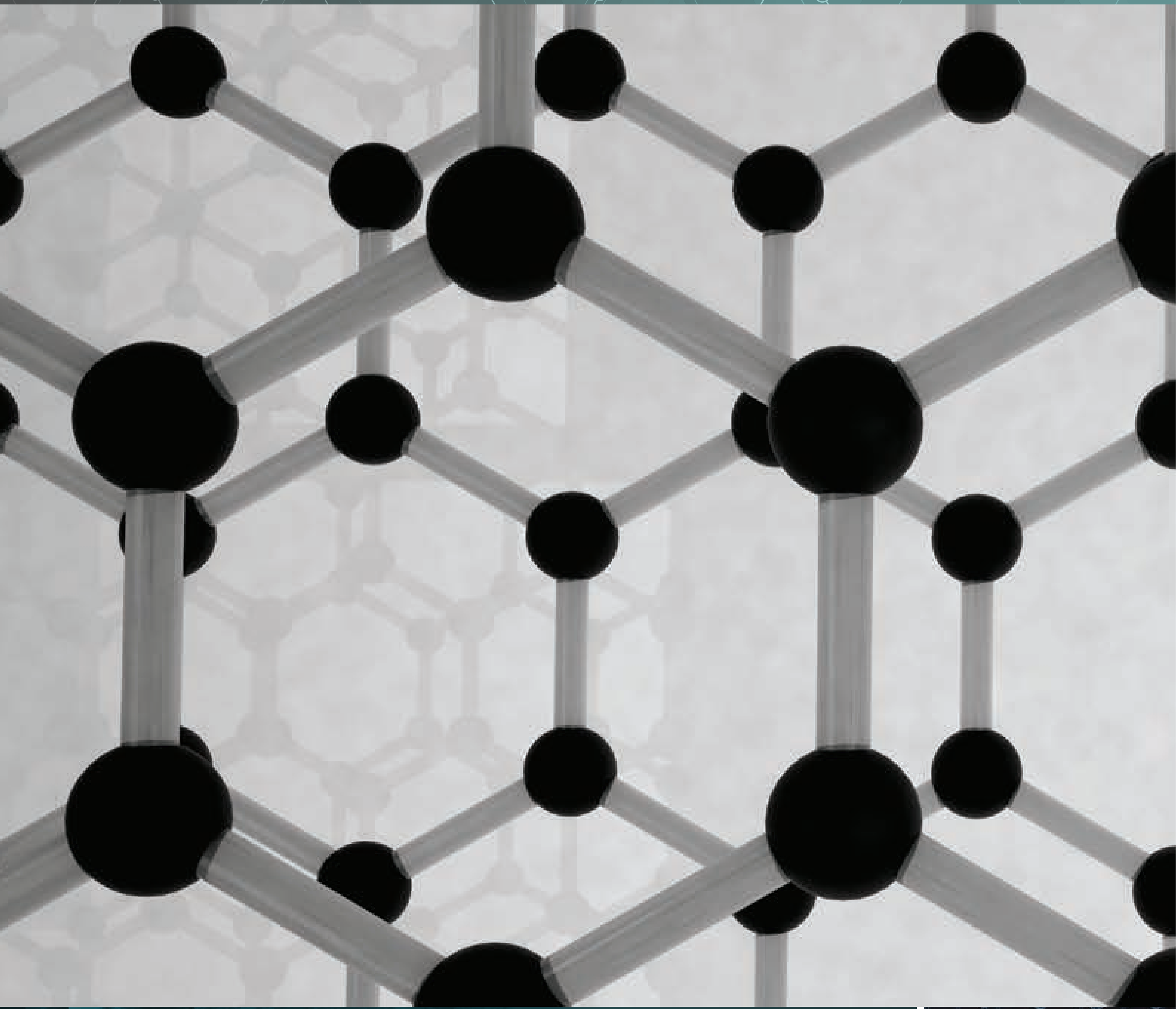
Crowe (HK) CPA Limited ("Crowe") was first appointed as new auditor of the Company on 12 September 2019 to fill the casual vacancy following the retirement of Ernst & Young and will hold office until the conclusion of the forthcoming annual general meeting of the Company.

The consolidated financial statements of the Company for the year ended 31 December 2019 were audited by Crowe while the consolidated financial statements for the preceding three years ended 31 December 2018 were audited by Ernst & Young.

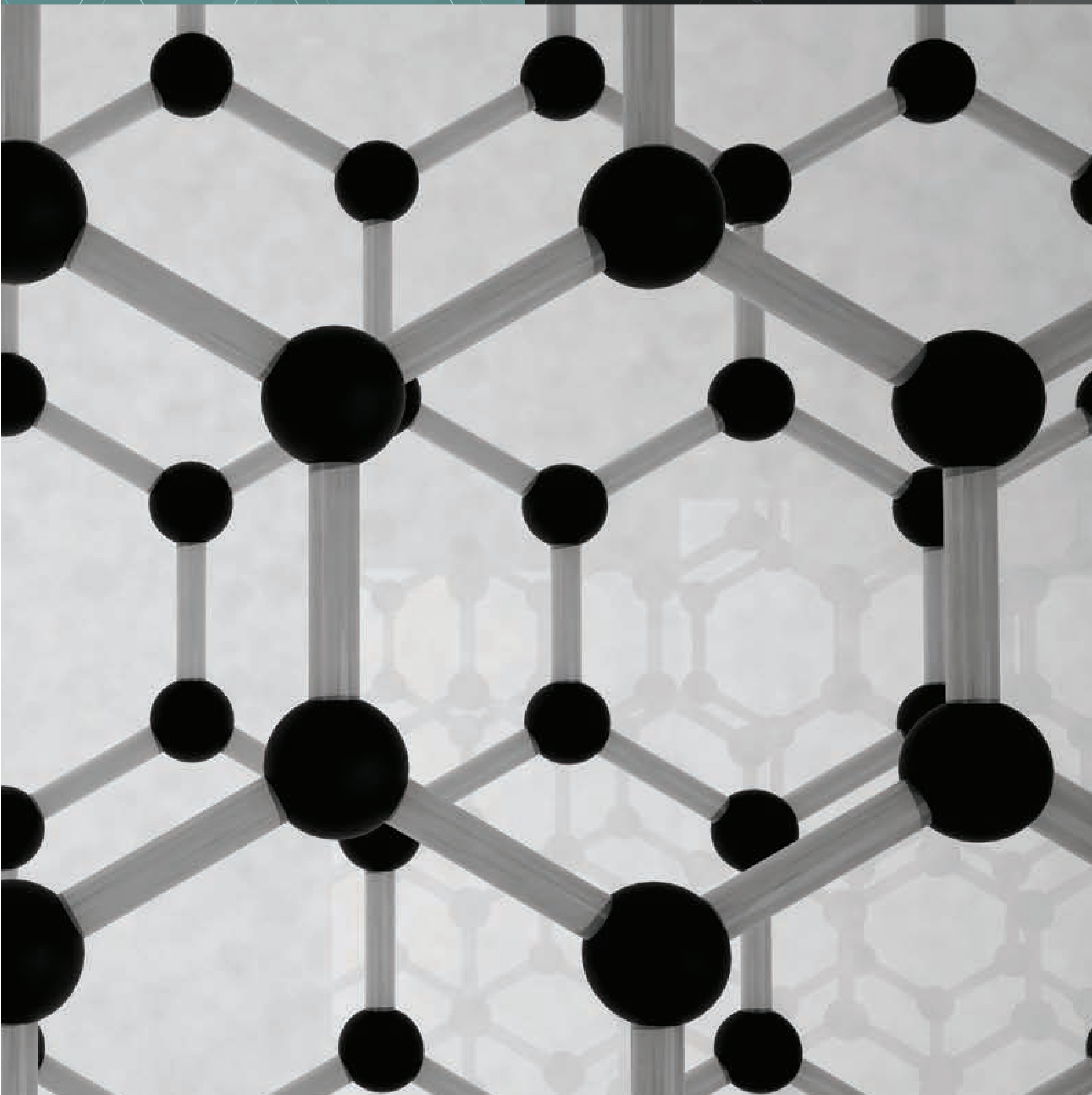
Crowe will retire and being eligible, offer themselves for re-election. A resolution for the reappointment of Crowe as auditor of the Company will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 14 April 2020



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Earthasia International Holdings Limited ("Earthasia" or the "Company") and its subsidiaries (collectively the "Group" or "we", "our") conduct landscape architecture business in Hong Kong and Mainland China and catering business in the People's Republic of China ("PRC") and Italy. More than ten offices were established in Mainland China and Hong Kong for our professional landscape business. The Group has obtained dual qualifications in Category A of Specific Landscape Engineering Design Qualification in landscape architecture from the Ministry of Housing and Urban-Rural Development of the PRC through two subsidiaries[1] respectively in January and April 2019; the qualification allows the Group to undertake any specific landscape engineering design without restriction over project type or scale. Earthasia believes that landscape design is intricately connected to sustainability and will continue to support sustainability through professional environmental design. The Group's catering business include Thai restaurants, which are mainly managed and operated through the "Thai Gallery" brand, and franchised themed café operated through the "Teddy Café" brand.

ABOUT THE REPORT

The fourth Environmental, Social and Governance ("ESG") Report of the Company (the "Report") continues to fulfil its ESG commitments by reporting the Group's up-to-date policies, measures and performances to allow stakeholders to understand the Group's direction of development. The Report is prepared in both the Chinese and English, and both versions of the Report have been uploaded to the websites of the Stock Exchange of Hong Kong ("SEHK") and the Group www.ea-dg.com.

REPORTING BOUNDARY

The Report focuses on the Group's ESG performance between 1 January 2019 and 31 December 2019 (the "reporting period"). The reporting boundary includes the operations of landscape architecture business in all offices of the Group in Hong Kong and Mainland China [2] and the catering business of seven restaurants in the PRC and Italy[3]. This Report does not include the catering business in "Wenlvge". In future, the Group will consider on the expansion of the scope of disclosure to present its ESG performance comprehensively.

Business segment	Sites of operation	In this Report collectively as
Landscape architecture	Hong Kong office, Shenzhen office, Guangzhou office, Beijing office, Changsha office, Xi'an office, Shanghai office, Wuhan office, Xiamen office, Changchun office	"offices"
Catering	Chengdu restaurants, Suzhou restaurant, Shanghai restaurants, Italy restaurant	"restaurants"

1 Earthasia (Shanghai) Company Limited and Earthasia (Qianhai) Limited – both are indirect wholly-owned subsidiaries of Earthasia (company names are for identification purposes only).

2 Offices in Mainland China are located in nine cities, including Shenzhen, Guangzhou, Beijing, Changsha, Xi'an, Shanghai, Wuhan, Xiamen and Changchun.

3 Restaurants are located in Chengdu (two restaurants including "Thai Gallery" and "Thai Tasty"*), Suzhou ("Teddy Café" brand), Shanghai (three restaurants including "Teddy Café" brand) in China, and Milan in Italy. (* for identification purpose only)

REPORTING STANDARD

The Report adheres to the four Reporting Principles (i.e. Materiality, Quantitative, Balance and Consistency) stated in the Environmental, Social and Governance Reporting Guide (the "Guide"). On the basis of 'comply or explain' provisions, important 'recommended disclosures' in the Guide have also been selected into disclosure for enhanced reporting contents.

Reporting Principles	Definition	Our responses
Materiality	The threshold at which ESG issues become sufficiently important to the Group and other stakeholders that they should be reported.	Through management interview, we decided to focus reporting on three important issues: use of resources, health and safety and product responsibility. For the specific evaluation process, please refer to the "Stakeholder Engagement" section.
Quantitative	Key performance indicators ("KPIs") need to be measurable, giving comparative data where appropriate.	The raw data of the Group's social KPIs came from statistics of relevant departments. To ensure the accuracy of environmental KPIs, the Group commissioned a professional consultancy, Carbon Care Asia, to perform carbon assessment. The process of carbon assessment was with reference to the guideline issued by the Environmental Protection Department, the Electrical and Mechanical Services Department of Hong Kong, the National Development and Reform Commission of the PRC and international standards such as ISO14064-1 and the Greenhouse Gas ("GHG") Protocol.
Balance	The ESG report should provide an unbiased picture of the issuer's performance.	During the preparation of this report, the Group focused not only on explaining the ESG results, but also describing the difficulties encountered and solutions.
Consistency	Report disclosure should use consistent methodologies.	Unless otherwise stated, all data in this report was disclosed using the same statistical methods as in previous years. For details, please refer to the "KPIs Summary" section.

CONFIRMATION AND APPROVAL

Information contained in this Report was sourced from official documents and statistical data of the Group, and from managerial and operational information aggregated in accordance with systems of the Group. The Report was approved by the Board of Directors (the "Board") on 14 April 2020.

OPINION AND FEEDBACK

The Group welcomes any comments or suggestions from stakeholders on its ESG performance. Please contact the Earthasia's Company Secretary via the channels below:

Address: 11/F, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong
Phone: 2559 9438
Fax: 2559 9841

DIRECTORS' MESSAGE

Since its establishment, Earthasia has focused on landscape architecture and promoted social and environmental sustainability through its business development. In response to the expectation from regulatory bodies and stakeholders on enhanced sustainability governance, the management of the Group is responsible for coordinating the implementation of its ESG policies.

Stakeholder engagement is an important step towards corporate sustainability. During the reporting period, the Group commissioned an external consultant to interview the management to identify the most important sustainability issues for the Group. Issues chosen for this year include use of resources, health and safety and product responsibility. Disclosures in this report focus on these issues in accordance with the principle of materiality.

Climate change is introduced to the HKEX's latest reporting scope as a new Aspect in environmental disclosures. To Earthasia, effective greening helps mitigate the impact of climate change. In this context, we will continue to seek ways to contribute to the environment through our profession and to use design and technological innovation to improve the relationship between human and the environment.

As part of the Chinese landscape architecture profession, the Group firmly commits to the promotion of urban sustainability and the development of the landscape architecture industry. The Group will continue to provide environmental and sustainable landscape architecture solutions and increase the team's sustainability awareness, in order to work with internal and external stakeholders on the improvement of environmental quality and living spaces.

Lau Hing Tat Patrick
Chairman of the Board of Directors
Earthasia International Holdings Limited

GOVERNANCE STRUCTURE

The Board of Earthasia is responsible for the development of the Group's strategy, the supervision of its environmental and social performances and to ensure an effective and sound internal control and risk management system are in place. Through the director's committees, the Board formulates the strategies, supervises the implementation and to lead and guide the management. The Board delegates the power and duties to the management to supervise the Group's management, execution and administration. Under the leadership of the Chief Executive Officer ("CEO"), the management is responsible for the day-to-day operation, implementation of strategies approved by the Board and regular reporting to the CEO. The CEO then reports the progress of the approved strategies and the Group's development to the Board.

ESG-RELATED RISKS

The Group adopts a risk management system that comprises the following phases: (I) identification: identify ownership of risks, business objectives and risks that could affect the achievement of the objectives; (II) evaluation: analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly; (III) management: consider the risk responses to ensure effective communication to the Board and on-going monitoring of the residual risks.

During the reporting period, the ESG risks identified through this system are listed below.

Risk Type	Risk Description	Mitigation Measures
Regulatory and compliance risks	The Group conducts different businesses in the PRC and Italy and may face compliance risks due to the changes in government policies, politics, society and local and international laws and regulations.	Internal procedures to supervise regulatory and compliance matters in day-to-day operation are in place. The Group also seeks legal advice internally and externally for new business plans where appropriate. For information on the Group's compliance and impact of ESG issues, please refer to the "Appendix: Compliance Performance" section.
Customer management strategy risks	Our overall strategic development will be affected if the Group cannot retain customers or attract new customers due to product responsibility requirements.	The business development team and project team maintain business relationship with existing customers and inform them on the current development of the Group to enhance its brand and reputation through quality services. The project director continuously supervises each landscape design projects to ensure on-time delivery and compliance with standards.

In response to the physical risk impacts of climate change on the global ecological environment, Earthasia's professional services mainly focus on increasing greening and reducing the impact of development on the ecological environment. In recent years, we have been actively studying the practice of urban forestry in Hong Kong to enhance biodiversity and mitigate climate change impacts. Commissioned by the Development Bureau of the Government of Hong Kong SAR, we have completed the first phase of the Hong Kong Street Ecology Strategy (the "study") to provide street plant guidelines for enhancing the diversity of tree species and street greening opportunities. We are conducting the second phase of the study to explore in depth the norms of soil structure and capacity which can be used to provide an appropriate soil environment to support plant growth and sponge city construction.

Going forward, we will continue to refine our governance structure, establish achievable and business-related targets on key ESG matters and review the progress of these targets annually. In the risk management process, the Group's departments will assess ESG-related risks more comprehensively, prioritising significant issues and incorporating them into discussions on strategic direction.

STAKEHOLDER ENGAGEMENT

We have always valued stakeholder[4] engagement. Stakeholders' views and suggestions on the Group's ESG performance have been sought through organising various events throughout the reporting period. The Group believes that stakeholder engagement can help the Group to better identify risks and opportunities of different ESG aspects, and lead to refined management policies and practices. Stakeholder communication during the reporting period included:

Internal stakeholders	**External stakeholders**
Employees	Investors and shareholders, suppliers, the general public and communities, professional associations, government departments and other public bodies
Means of stakeholder engagement	
Regular meetings, emails, shareholder meetings, public consultations, internship programmes, industry conferences, community events, etc.	

4 Stakeholders refer to the groups and individuals who have a significant impact on the business or who may be affected by it, including internal Board, management, executives and general employees, as well as external shareholders, business partners, customers, government and regulatory agencies, banks and investors, community groups, etc.

MATERIAL ISSUES

During the reporting period, the Group commissioned external consultant to conduct interviews with management to obtain input from top management. The interviews included but not limited to sustainable governance, vision and risk management. Management has selected three of the eleven aspects from the Guide, namely use of resources, health and safety and product responsibility, as the most important sustainability issues for the Group.

Material issues	Reasons for selection	Corresponding sections
Use of resources	We take conservation of resources seriously and are committed to creating a culture of resource conservation in the office.	Environmental impact management
Health and safety	Due to the nature of the work, staff have to travel in and out of construction sites or remote areas. Therefore, we need to ensure our staff work in a safe environment.	Our employees
Product responsibility	Regardless of whether landscape design or catering business, we always pursue to provide high quality design and ingredients to our customers.	Responsible operations

In future, the Group will expand the scale and mode of stakeholder engagement in a timely manner to improve the Group's engagement with stakeholders and establish a mutually beneficial win-win relationship.

ENVIRONMENTAL IMPACT MANAGEMENT

The Group attaches importance to the management of environmental issues related to its operational processes and strives to reduce the negative impacts of its operations on the environment. To this end, the Group has developed the ESG Policy, which sets out the Group's management approach on emission management, use of resources and natural resources.

Reasonable Use of Resources

The Group values the use of resources and has endeavoured to fulfil its commitment to resource conservation through the following measures.

Type of resources	Measures of conservation
Electricity	• Set the air conditioning temperature to 24-26 degrees Celsius. • Regular maintenance of air-conditioning to ensure its efficient operation; and • Set the computer monitor to the appropriate brightness and automatically go into hibernation if it is unused for a long period of time.
Gasoline	• Encourage staff to choose event venues nearby to reduce long distance travel.
Paper	• Use recycled paper or FSC-certified paper for office use; and • Encourage staff to use electronic communication tools for communication and reduce paper use.
Water	• Install a water tap sensor to automatically control the switch; and • Check the working condition of the faucet regularly, and report and repair in a timely manner if any problems were found.

During the reporting period, the operations of offices and restaurants consumed an equivalent of 1,247 MWh of energy, with restaurants' energy consumption accounted for 61.5% of total energy consumption, primarily due to the use of natural gas and electricity in kitchen equipment. The main source of office energy consumption was electricity use, which accounted for 75.4% of its total consumption.

		Energy consumption (MWh equivalent)	
Energy type		Offices	Restaurants
Direct energy	Gasoline	118.1	6.4
	Natural gas	—	373.9
Indirect energy	Electricity	361.6	387.3
	Heat	0.005	—
Total energy consumption		479.7	767.6

Emissions Reduction

GHG emissions

The Group is committed to reducing GHG emissions from its operations. During the reporting period, the Group commissioned Carbon Care Asia to conduct a carbon assessment to quantify the GHG emissions (or "carbon emissions") generated. The process of quantification referenced the Guideline[5] compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong; the guideline issued by the National Development and Reform Commission of the PRC[6] and international standards such as ISO14064-1 and the GHG Protocol.

The assessment showed that the operations of offices and restaurants accounted for 65% and 35% of total carbon emissions respectively. Among them, the largest source of GHG emissions at the offices came from business travel, which accounted for about 51% of total carbon emissions. The second largest GHG emissions at the offices came from Scope 2 energy indirect GHG emissions, accounted for about 44% of total carbon emissions. GHG emissions from the restaurants were mainly indirect GHG emissions from Scope 2 energy sources, accounted for about 71% of total carbon emissions.

Sources of GHG Emissions		Offices	Restaurants
Scope 1 direct GHG emissions (tonnes of CO_2-e)	Fossil fuel combustion – stationary source	—	75.3
	Fossil fuel combustion – mobile source	29.2	1.6
	GHG emissions from the operation of equipment and systems	—	0.1
Scope 2 energy indirect GHG emissions (tonnes of CO_2-e)	Purchased electricity	235.1	202.0
	Purchased heat	0.002	—
Scope 3 other indirect GHG emissions (tonnes of CO_2-e)[7]		270.4	7.7
Total GHG emissions (tonnes of CO_2-e)		534.7	286.7
GHG Intensity (by area, i.e. tonnes of CO_2-e)/square metre)		0.13	0.17

5 Including the Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

6 Including Guidelines for Accounting and Reporting GHG Emissions by China Land Transportation Enterprises (Trial).

7 Scope 3 included GHG emissions produced by employees' business travel.

Air emissions

Air pollutants from the operations of offices and restaurants were primarily sulfur oxides, nitrogen oxides and respirable suspended particulates ("RSP") from kitchen and vehicle fossil fuel consumption. Nitrogen oxides and RSP from fossil fuel consumption in kitchen equipment in restaurants accounted for approximately 87% and 75% of the Group's total emissions respectively.

Air emissions (kg)	Offices	Restaurants
Nitrogen oxides	8.0	55.2
Sulfur oxides	0.9	0.4
RSP	0.6	1.8

To address air emissions, the Group encourages all employees to substitute business travel with telephone or video conference. In future, the Group will also consider further monitoring air quality and setting emission reduction targets based on past emission data.

Waste

During the reporting period, the operations of offices and restaurants generated a total of 138.5 tonnes of non-hazardous waste, which was mainly food waste generated from restaurants and was handed over to the shopping malls for centralised treatment. In addition, due to the nature of the business, the operations of offices and restaurants only generated a small amount of hazardous waste, which mainly came from offices' waste electronics, waste batteries and waste lamps and were recycled and treated in accordance with hazardous waste standards.

Waste (tonnes)	Offices	Restaurants
Hazardous waste	0.12	0.02
Non-hazardous waste	4.7	133.8

The Group now has recycling bins in place to regularly recycle waste and ensure that food waste, oil and other waste are handed over to qualified contractors for disposal. To reduce food waste, the restaurants decided to start "Clear Your Plate" campaign in line with relevant requirements in the PRC. This campaign was to have posters displayed in visible areas in the restaurants to encourage consumers to order food rationally. Meanwhile, restaurants closely monitored the status of food waste, adjusted the portion and quality of food in a timely manner, and provided reduced-portions dishes for customers to choose. Measures were also undertaken in our Italy restaurant to increase the selection of dish portions and regularly check the amount of ingredients used to reduce food waste.

Protecting the Environment and Natural Resources

The Group is committed to the principle of protecting ecosystems, wildlife and natural habitats in all landscape design and reducing the impact of design on the surrounding environment and natural resources. In addition, the Group will also consider exploring the possibility of using renewable energy in different projects with landscape builders. The Group has established a complaint mechanism to handle and respond to environment-related comments and suggestions in a timely manner.

The Study of Street Ecology Strategy for Hong Kong (Phase I)

Currently, as the urban heat island effect caused by the densely populated city network and other extreme weather conditions have adversely affected the living environment of the residents, the Group aims to mitigate these effects by establishing a comprehensive greening network.

The Group was commissioned by the Greening, Landscape and Tree Management Section ("GLTM Section") of the Development Bureau of the Hong Kong Government to conduct a consultancy study on the ecological strategy for streets in Hong Kong. The study aimed to select trees suitable for different street types in Hong Kong to improve the resilience of local urban forests by enhancing the diversity of tree species, thereby supporting short, medium and long-term tree planting and management work. A preliminary list of 80 tree types that are less common in Hong Kong for street planting was drawn up through communication with government departments and experts. We also analysed various street types, to help different streets to match the types of trees suitable for planting.

OUR EMPLOYEES

Earthasia believes that a good employment environment is one of the key steps in promoting the Group's sustainable development. The Group is committed to creating a safe and comfortable working environment for its employees, providing a sound career development system to ensure all employees are respected and motivated.

Employee Health and Safety

The Group values the health and safety of its employees and aims to reduce the occupational risks encountered by its employees in the workplace through an institutionalised management process. Currently, the Group has formulated the ESG Policy. Restaurants and offices have also formulated the Staff Handbook to strengthen the management of employee's health and safety.

Policies	ESG Policy	Restaurants' Staff Handbook
Measures and monitoring methods	• Committed to reduce the risk of injury of employees in the workplace; • Emergency measures will be formulated in future to ensure that all staff are able to implement the correct emergency response measures in the event of an emergency.	• If old, worn or loose wiring is spotted, the relevant personnel should immediately notify the department head or an electrician; chefs should always pay attention to the safety of using oil and cooking utensils and check that all equipment is properly shut down before leaving work; if an accident occurs, the relevant personnel should immediately notify the general manager and personnel department and escort the injured to the hospital.

Sound Employment System

A sound employment system is not only the key to attract the Group's talent, but also an important security for employee's rights and interests. The Group has formulated the ESG Policy, Office Handbook and the Staff Handbook adopted by all operational sites to improve the Group's regulations on remuneration and dismissal, recruitment and promotion, working hours, leave, equal opportunities, diversity, anti-discrimination and other benefits.

Details of the above policies include:

Compensation and dismissal	Recruitment and promotion	Working hours
The employment contract signed by each employee of the Group must clearly specify the remuneration package of the position and set out the termination procedures and conditions of dismissal (e.g. serious misconduct). Each site of operation also has its own Staff Handbook, which is updated in a timely manner. For example, the restaurants' Staff Handbook states that the employee's wages include basic wages, position pay, and overtime pay; if a regular employee resigns, the resignation application should be filled out 30 days in advance and reported to all levels of management for approval.	The Group's management conducts an annual performance review of its staff and determines the promotion based on their performance. In addition, the restaurants' Staff Handbook states that recruitment is based on the principle of "open recruitment, merit-based selection"; promotion decisions are based on daily performance and are reviewed by the Human Resources Department and approved by the general manager.	The Group's normal working hours are 8 hours per day, 5 days per week, with a 1-hour lunch break, while the average working duration for staff in restaurants are 6 days per week.

Leave	Equal opportunities and anti-discrimination	Diversity
The Group strictly follows the relevant local laws and regulations in the respective sites of operation and makes reasonable arrangements for employees' holidays, such as annual leave and sick leave.	The Group is committed to providing fair employment opportunities for all employees and prohibits all forms of discrimination and harassment on the basis of race, skin colour, religion, sex, physical condition, marriage and family and national origin. The Company has equal opportunities clauses contained in the Office Handbook.	The Group is committed to creating an atmosphere of diversity in the workplace and encouraging the employment of staff from diverse backgrounds. In the reporting period, six employees of foreign nationalities were employed in the Group's Hong Kong office.

Other benefits	Prevention of child labour	Prohibition of forced labour
The Group has provided additional benefits to its employees, including medical insurance and overtime subsidies. In addition, Shanghai restaurants have provided staff quarters, staff meals and year-end bonuses to its employees.	The Group is committed to prevent child labour in the workplace. Child workers should leave from the workplace as soon as they are discovered, and their contracts should be terminated.	The Group ensures all employment relationships are voluntary and prohibits any forms of forced labour.

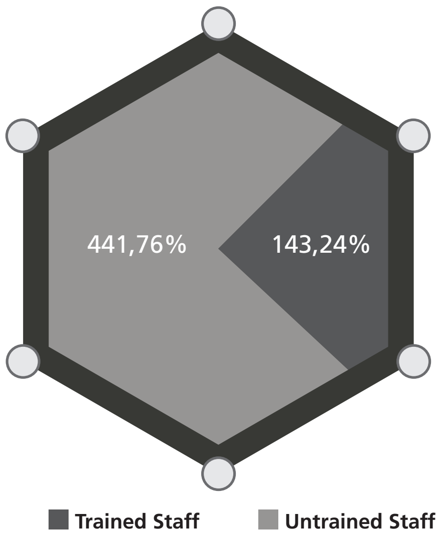
EMPLOYEE DEVELOPMENT AND TRAINING

It is important for employees to enhance their working skills for the development of their future career paths. The Group values the development of its employees and provides training opportunities in order to support them in gaining knowledge and skills on performing relevant jobs. Such trainings are managed through the ESG Policy.

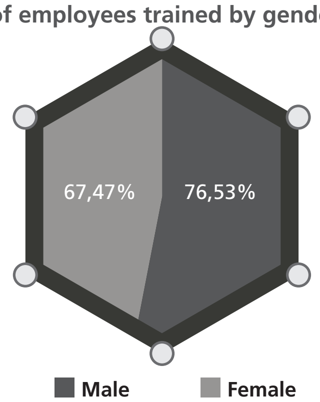
Training activity	During the reporting period, the Group's Hong Kong office conducted nine internal and one external training sessions, which covered the usage of professional software including but not limited to Autocad, RevitArch and BIM.
Performance review	The Group conducts an annual performance review to assess the performance of its employees and to serve as a basis for determining their future promotion and direction of training.

Details of the Group's staff training during the reporting period are as follows:

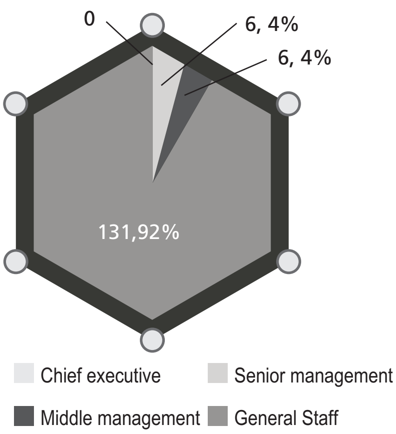
Total number and proportion of staff receiving training



Total number and proportion of employees trained by gender



Total number and percentage of employees trained by employess category



In future, Earthasia will regularly review and update its policies and measures on training and development in light of the actual situation.

RESPONSIBLE OPERATIONS

The Group is committed to business ethics and responsible service delivery. Through a sound operational system, the Group has therefore put in place a series of policies and measures on supply chain management, product responsibility and anti-corruption to safeguard the brand and market performance.

Service Responsibilities and Commitments

The Group is well aware of the importance of landscape design and quality of food ingredients to the Group's development. Therefore, the Group has put in place a series of policies on quality management and is committed to maintaining the Group's design performance.

Service quality

Project quality

The Group has developed a Quality Management Manual in accordance with ISO 9001:2015 to enhance the management of design or services. In order to ensure that the final design meets the requirements of various stakeholders, the Group holds project meetings occasionally to understand the needs and suggestions of all parties and strictly complies with national and regional legal requirements in the project design process. The Group's management also reviews the status of projects from time to time to ensure that workflow is in accordance with relevant regulations.

In future, the Group will also collect customer feedback and suggestions through the customer satisfaction survey form and carry out improvement work based on customer's feedback to improve the quality of projects and services.

Catering quality

In order to improve the quality of customer services, the restaurant manager communicates with customers regularly to understand their opinions and suggestions, and arranges weekly staff trainings and daily meetings to review customer feedback from each platform in a timely manner to ensure service quality. In terms of the management of restaurants' raw food supply and inventory, the restaurants are trying to maintain the best food quality by avoiding stocking fresh ingredients overnight. For non-fresh ingredients (e.g. canned food), the warehouse shall ensure that the shelf life of food for stocking is not less than 2/3 of its total shelf life.

Protecting customer health and safety

All of the Group's landscape design work complies with relevant national or regional laws, regulations and guidelines (e.g. the Civil Engineering and Development Department's Guidelines on Safe Access for Slope Maintenance; the Architectural Services Department's Guidelines on Universal Accessibility for External Areas, Open Spaces and Green Spaces; and the GLTM Section's Proper Planting Practices and other latest relevant landscape and tree risk assessment guidelines) to ensure that the requirements on design safety and community health impacts are met.

In the catering business, the Group requires all restaurants to check their suppliers' business licenses, food distribution permits and other relevant information to ensure the quality of their suppliers before making selection decisions. After the suppliers provided the ingredients, the warehouse and kitchen staff should sign, collect and check the ingredients' quality and specifications; if the ingredients fail to meet the relevant standards of the restaurant, staff should refuse to sign and return them to the supplier for processing.

Customer privacy

The Group's Office Handbook stipulates that, all employees are prohibited from disclosing customers' information, including but are not limited to customers' names, contact numbers and addresses, to any third parties without the consent of the employer or the Group. The Company also protects the personal data of its employees as required by the code of practice obligations and has set out the Company's Privacy Policy in its Office Handbook.

Intellectual property rights

The Group undertakes to sign non-disclosure agreements with its clients in the course of cooperation to ensure the intellectual property rights of both parties are not infringed.

For the time being, the Group's operations do not involve matters relating to product advertising, labels using and customer complaints. The Group will update the relevant policies in accordance with its business development in a timely manner.

Supply Chain Management

The Group attaches importance to the management of environmental and social risks in the supply chain and encourages suppliers to be environmentally and socially responsible. The Group has developed the Office Handbook, the Code of Conduct and the ESG Policy to standardise the Group's supplier selection process.

Currently, the Group's suppliers are mainly travel agencies, professional services, and food suppliers. For office procurement matters, relevant staff should fill in the Purchase Requisition Form and submit it to the Administration Department for confirmation before the procurement. Additionally, the Group also assesses suppliers irregularly to ensure that they comply with the Group's environmental and social requirements. With regards to the management of social risks of its supply chain, the Group strictly prohibits any individuals or organisations that are related to the Group, including suppliers, to offer employees illegal benefits which can affect their business decision-making. Offenders should be disqualified from supplier list.

In the coming year, the Group will develop environmental procurement policy and revise supplier assessment guideline to include the consideration of environmental risks.

CORRUPTION PREVENTION

The Group understands anti-corruption is not only a social expectation towards corporations, but also an important way for corporations to undertake social responsibility. Through the formulation of the Code of Conduct, the Group is committed to fight against corruption.

As stated in the Code of Conduct, the Group strictly prohibits any bribery or corruption. All employees are forbidden to accept benefits from third parties individual or organisation. Under certain circumstances, employees can accept promotional gifts, souvenirs or holiday gifts (not exceeding 500HKD). Should the employees violate the above rule, they may face prosecution or internal disciplinary action.

The Group holds training activities related to the Code of Conduct annually to increase employee's knowledge on anti-corruption.

SUPPORTING COMMUNITY DEVELOPMENT

The Group understands that the development of a corporation cannot achieved without the support from local communities. Through the formulation of the ESG Policy, the Group strives to offer more support to local communities in which it operates. The Group's vision on community development is to lead the new generation of integrated recreation-care community development in order to solve the severe problem of aging society; and provide inspirational children's play facilities and a family-oriented leisure ambience. We have already designed several recreation-care communities in the PRC which complements Earthasia's vision and design concept.

In addition, we strongly support educational development. During the reporting period, Earthasia invited 46 university students to intern at the Group, strengthening their skills and business capacity in landscape design and helping them adapt to the needs of the community.

APPENDIX: COMPLIANCE PERFORMANCE

Aspect	Laws and regulations that may have a significant impact on the Group	Compliance performance
Emissions	Environmental Protection Laws of the PRC, The Law of the PRC on the Prevention and Control of Water Pollution, The Law of the PRC on the Prevention and Control of Atmospheric Pollution; Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance; Italy's Legislative Decree No. 152 the Code on the Environment	The Group did not identify any non-compliance cases.
Employment	Production Safety Law of the PRC, Prevention and Treatment of Occupational Diseases Law of the PRC; Occupational Safety and Health Ordinance; Italy's National and Collective Labour Agreement	The Group did not identify any non-compliance cases.
Health and Safety	Production Safety Law of the PRC, Prevention and Treatment of Occupational Diseases Law of the PRC, Fire Control Law of the PRC; Occupational Safety and Health Ordinance, Employees' Compensation Ordinance; Italy's Legislative decree no. 81, execution of the Act no. 123, on the matter of the protection of health and safety at workplaces	The Group did not identify any non-compliance cases.
Labour Standards	Labour Law of the PRC, The Law of the PRC on the Protection of Minors; Employment Ordinance, Occupational Safety and Health Ordinance; Italy's National and Collective Labour Agreement	The Group did not identify any non-compliance cases.
Product Responsibility	Product Quality Law of the PRC, Patent Law of the PRC; Trade Descriptions Ordinance; Italy's Legislative Decree No. 206, the Consumer Code; Codex Alimentarius – International Food Standards	The Group did not identify any non-compliance cases.
Anti-corruption	Anti-Unfair Competition Law of the PRC, Anti-Money Laundering Law of the PRC; Prevention of Bribery Ordinance, Anti-Money Laundering and Counter-Terrorist Financing Ordinance; Italy's Legislative Decree No. 231 and No. 109	The Group did not identify any cases of non-compliance nor was there any concluded legal cases regarding corruption practices brought against it or its employees.

KPIs SUMMARY

Environmental Performance

Environmental KPIs	2019 Quantity	Unit
Emission type and relevant emission data		
Nitrogen Oxides (NOx)	63.2	kg
Sulphur Oxides (SOx)	1.3	kg
RSP	2.4	kg
GHG emissions		
Total GHG emissions	821.4	Tonnes of CO_2-e
GHG emissions intensity (by area)	0.14	Tonnes of CO_2-e/square metres
Hazardous waste produced		
Total hazardous waste[8]	0.1	tonnes
Hazardous waste intensity (by area)	0.03	tonnes/1000 square metres
Non-hazardous waste produced		
Total non-hazardous waste[9]	138.5	tonnes
Non-hazardous waste intensity (by area)	0.02	tonnes/square metres
Energy consumption		
Direct energy consumption	498.4	MWh equivalent
Indirect energy consumption	748.9	MWh
Energy consumption intensity (by area)	0.21	MWh equivalent/square metres
Water consumption		
Total water consumption[10]	6,273	Cubic metres
Water consumption intensity (by area)	1.75	Cubic metres/square metres
Packaging materials used for finished products		
Total packaging material consumption[11]	4.4	tonnes
Packaging material intensity (by turnover)	2.23	tonnes/RMB million

8 Since Beijing, Suzhou and Italy restaurants did not produce a huge amount of hazardous waste, during the reporting period, hazardous waste was not recorded; The Group will gradually refine the data monitoring system and improve environmental data collection in the coming year.

9 Total non-hazardous waste did not include Xiamen's office; The Group will gradually refine the data monitoring system and improve environmental data collection in the coming year.

10 Since the buildings did not have individual water metres, total water consumption did not include Hong Kong office, Shenzhen office, Beijing office, Changsha office, Wuhan office and Italy restaurant.

11 Only included Shanghai's and Suzhou's restaurants packaging materials consumption, other operational sites did not use packaging materials.

Social Performance

Employment KPIs			Total employees by categories Hong Kong	Mainland China	Italy	Employee turnover rate by categories Hong Kong	Mainland China	Italy
Offices	Gender	Male	23	129	—	17.4%	41.9%	—
		Female	22	135	—	9.1%	52.6%	—
	Employment Category	Chief executive	1	2	—	—	—	—
		Senior management	5	8	—	—	—	—
		Middle management	7	25	—	—	—	—
		General Staff	32	229	—	—	—	—
	Age group	Below 30	16	133	—	18.8%	63.2%	—
		31-40	12	111	—	25%	36.0%	—
		41-50	10	14	—	0	7.1%	—
		Above 51	7	6	—	0	0	—
	Employment type	Full time	43	264	—	14.0%	47.3%	—
		Part-time	2	0	—	0	0	—
Restaurants	Gender	Male	—	131	18	—	37.4%	27.8%
		Female	—	118	8	—	42.4%	75%
	Employment Category	Chief executive	—	0	0	—	—	—
		Senior management	—	23	1	—	—	—
		Middle management	—	16	3	—	—	—
		General Staff	—	210	22	—	—	—
	Age group	Below 30	—	157	17	—	46.5%	64.7%
		31-40	—	44	1	—	29.5%	0
		41-50	—	24	5	—	33.3%	0
		Above 51	—	24	3	—	20.8%	0
	Employment type	Full time	—	249	12	—	39.8%	0
		Part-time	—	0	14	—	0	78.6%
Total employees and turnover rate by region			45	513	26	13.3%	43.7%	42.3%

Occupational Health and Safety Performance		Summary	
Number and ratio of work-related fatality for the past three years	2017: 0	2018: 0	2019: 0
Number of work-related injury		0	
Number of days lost due to work injury		0	

Percentage of trained employees and average training hours by categories			**Trained employees ratio and average training hours[12] Unit: percentage (average hours)**		
			Hong Kong	**Mainland China**	**Italy**
Offices	Gender	Male	47.1% (4.7)	50% (0.9)	—
		Female	52.9% (7.4)	50% (1.6)	—
	Employment Category	Chief executive	0 (0)	0 (0)	—
		Senior management	17.6% (3.6)	2% (10)	—
		Middle management	17.6% (7.7)	0 (0)	—
		General Staff	64.7% (6.2)	98% (1.1)	—
Restaurants	Gender	Male	—	0 (0)	69.2% (3.5)
		Female	—	0 (0)	30.8% (3.4)
	Employment Category	Chief executive	—	0 (0)	0 (0)
		Senior management	—	0 (0)	3.8% (6)
		Middle management	—	0 (0)	11.5% (6)
		General Staff	—	0 (0)	84.6% (3)
Percentage of trained employees and average training hours by geographical region			37.8% (6)	19.5% (0.7)	100% (3.5)

Supplier's location	**Number of suppliers**	**Percentage of suppliers implementing relevant practices**
Hong Kong	5	100%
Mainland China	57	100%
Overseas	38	100%
Total	100	100%

Community investment	**Invested resources**	**Focus area of contribution**
Hong Kong	HKD 171,600	Education aspect
Mainland China	RMB 55,450	

12 The percentage of trained employees is calculated as the number of trained employees in a specific category/total trained employees; The average training hours is calculated as the number of hours trained in a specific category/total number of employees in a specific category.

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Material Aspect	Content	Page Index/ Remarks
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A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	77
A2.3	Description of energy use efficiency initiatives and results achieved.	66
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	There was no issues in sourcing water in the Group's operations; 66
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	77

Material Aspect	Content	Page Index/ Remarks
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B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	71
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B3.2	The average training hours completed per employee by gender and employee category.	79

Material Aspect	Content	Page Index/ Remarks
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	70, 76
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B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	74
B5.1	Number of suppliers by geographical region.	79
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	74, 79
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	73-74, 76
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group's operations
B6.2	Number of products and service related complaints received and how they are dealt with.	74
B6.3	Description of practices relating to observing and protecting intellectual property rights.	74
B6.4	Description of quality assurance process.	73
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	74

Material Aspect	Content	Page Index/ Remarks
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	75, 76
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	76
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	75
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	75
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	75, 79
B8.2	Resources contributed (e.g. money or time) to the focus area.	75, 79

INDEPENDENT AUDITOR'S REPORT

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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 90 to 215, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition of landscape design services	
During the year, revenue from landscape design service contracts accounted for 49.1% (2018: 79.5%) of the Group's total revenue. Revenue from these contracts was recognised progressively over time using the input method, based on the direct measurement of the value of contract work performed, provided that the value of contract work performed can be measured reliably. The measurement of the value of contract work involves a significant amount of judgement by management; with estimates being made to assess, the expected (i.e., budgeted) total costs, total contract revenues and the stage of completion of the contracts. The subjectivity involved in these judgements could lead to different amounts of profit and revenue being reported in the financial statements. The disclosures about revenue recognition are included in notes 2.4, 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 • 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 correspondences and the project supervisor's progress reports.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Recoverability of trade and bills receivables and contract assets	
As at 31 December 2019, trade and bills receivables and contract assets of the Group amounted to HK$108,110,000 and HK$47,391,000, respectively (net of provision for impairment). Expenses in respect of the provision for impairment of trade and bills receivables and contract assets, respectively, were recognised during the year of HK$3,622,000 and HK$1,164,000. Loss allowances for trade and bills receivables and contract assets are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. Relevant disclosures are included in notes 2.4, 3, 6, 20 and 23 to the consolidated financial statements.	Our audit procedures included assessing and testing the Group's processes and key controls relating to the monitoring of trade and bills receivables and contract assets and the granting of credit terms and contract terms relating to billing milestones. We also tested the ageing 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 contract assets by reference to the Group's historical default data, the historical loss rates adjusted based on the current economic condition and forward-looking information and the actual losses recorded during the current financial year. We also considered the adequacy of the disclosures, in particular those included in notes 20 and 23.
Business combination	
During the year, the Group had acquisition which constituted business combination. Management recognised the identifiable assets acquired and liabilities assumed and the profit guarantee receivable at fair value as at the acquisition date. In applying the acquisition method, management also recognised goodwill. The accounting for the business combination, 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 and the profit guarantee receivable at fair values. Relevant disclosures are included in notes 2, 3 and 36 to the consolidated financial statements.	We read the sale and purchase agreement and evaluated management's judgement on whether the transaction was a business combination. We discussed with management about the process to identify the intangible assets and the liabilities of the acquiree at the completion of the acquisition. With regard to the purchase price allocation, we assessed the valuation methods adopted in determining the fair values of the identifiable assets acquired and liabilities assumed and the profit guarantee receivable, we tested the assumptions used in the valuations and compared the discount rates used by the management and the industry index. We also assessed the adequacy of the related disclosures.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill, other intangible assets, and property and equipment	
As at 31 December 2019, the aggregated carrying amount of goodwill, other intangible assets and property and equipment after impairment was HK$ 863,235,000. During the year, impairments of HK$2,307,000, HK$9,272,000 and HK$3,522,000 were made against goodwill, other intangible assets and property and equipment, respectively, of the catering segment. An impairment assessment is performed by management at least annually, for goodwill, or when there are indicators of impairment, by comparing the carrying amount and the recoverable amount of the asset or the cash-generating unit to which the asset relates. The impairment assessment requires management to use significant judgment and estimates when determining the recoverable amounts of the assets or the cash-generating units to which the goodwill, other intangible assets and property and equipment are allocated, including, amongst others, the expected future cash flows and discount rates. Relevant disclosures are included in note 2.4, 3,13,14 and 15 to the consolidated financial statements, respectively.	We tested the assumptions used in the valuation and compared the discount rate used by management with the industry index. In addition, we assessed the historical accuracy of management's estimates. We tested the mathematical accuracy of management's model and carried out procedures on management's sensitivity calculations. We also assessed the adequacy of disclosures in connection with the impairment assessment of goodwill, other intangible assets and property and equipment.

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.

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

- 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.

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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 14 April 2020

Liu Mok Lan, Cliny
Practising Certificate Number P07270

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**313,941**	197,311
Cost of sales	6	**(167,582)**	(83,159)
GROSS PROFIT		**146,359**	114,152
Other income and gains	5	**12,023**	16,289
Selling and marketing expenses		**(27,433)**	(33,272)
Administrative expenses		**(142,250)**	(100,850)
Impairment losses on financial and contract assets, net	6	**(6,617)**	(14,104)
Other expenses		**(18,393)**	(20,587)
Finance costs	7	**(27,419)**	(9,028)
Share of losses of:			
Joint ventures	6	**—**	(3)
Associates	6	**(1,072)**	(1,684)
LOSS BEFORE TAX	6	**(64,802)**	(49,087)
Income tax (expense)/credit	10	**(602)**	2,104
LOSS FOR THE YEAR		**(65,404)**	(46,983)
Attributable to:			
Owners of the parent		**(57,082)**	(36,039)
Non-controlling interests		**(8,322)**	(10,944)
		(65,404)	(46,983)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For loss for the year		**(12.9 cents)**	(8.5 cents)
Diluted			
– For loss for the year		**(12.9 cents)**	(8.5 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
LOSS FOR THE YEAR	**(65,404)**	(46,983)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(3,473)**	(2,412)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(3,473)**	(2,412)
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
– Changes in fair value	**(2,015)**	(1,272)
– Income tax effect	**46**	190
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(1,969)**	(1,082)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(5,442)**	(3,494)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(70,846)**	(50,477)
Attributable to:		
Owners of the parent	**(62,742)**	(39,463)
Non-controlling interests	**(8,104)**	(11,014)
	(70,846)	(50,477)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property and equipment	13	**92,450**	16,938
Goodwill	14	**105,051**	5,419
Other intangible assets	15	**665,734**	36,018
Investments in joint ventures	16	**—**	199
Investments in associates	17	**1,212**	2,297
Equity investments designated at fair value through other comprehensive income	18	**870**	2,885
Prepayments and deposits	21	**3,471**	55,480
Deferred tax assets	31	**185**	317
Total non-current assets		**868,973**	119,553
CURRENT ASSETS			
Inventories	19	**24,423**	1,331
Trade and bills receivables	20	**108,110**	50,164
Prepayments, other receivables and other assets	21	**47,283**	16,292
Financial assets at fair value through profit or loss	22	**1,194**	4,122
Contract assets	23	**47,391**	36,592
Tax recoverable		**275**	126
Cash and bank balances	25	**53,882**	85,987
Total current assets		**282,558**	194,614
CURRENT LIABILITIES			
Trade payables	26	**22,246**	10,883
Other payables and accruals	27	**90,672**	59,908
Lease liabilities	28	**13,718**	—
Interest-bearing other borrowings	29	**94,919**	66,968
Tax payable		**31,439**	25,807
Dividends payable		**4**	4
Total current liabilities		**252,998**	163,570
NET CURRENT ASSETS		**29,560**	31,044
TOTAL ASSETS LESS CURRENT LIABILITIES		**898,533**	150,597

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Promissory note	30	**281,307**	—
Interest-bearing other borrowings	29	**140,815**	40,494
Lease liabilities	28	**65,063**	—
Consideration payable	36	**86,500**	—
Deferred tax liabilities	31	**103,701**	9,686
Total non-current liabilities		**677,386**	50,180
NET ASSETS		**221,147**	100,417
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**4,823**	4,343
Treasury shares	33	**(99)**	(95)
Other reserves	35	**215,967**	87,391
		220,691	91,639
Non-controlling interests		**456**	8,778
TOTAL EQUITY		**221,147**	100,417

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Attributable to owners of the parent											
	Notes	Share capital (note 33) HK$'000	Treasury shares (note 33) HK$'000	*Share premium account (note 33) HK$'000	*Fair value reserve HK$'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
At 31 December 2017													
As previously reported		4,220	(88)	133,728	–	4,977	5	10,616	(5,131)	(26,152)	122,175	19,667	141,842
Effect of adoption of IFRS 9		–	–	–	1,233	–	–	–	–	(5,135)	(3,902)	–	(3,902)
At 1 January 2018 (restated)		4,220	(88)	133,728	1,233	4,977	5	10,616	(5,131)	(31,287)	118,273	19,667	137,940
Loss for the year		–	–	–	–	–	–	–	–	(36,039)	(36,039)	(10,944)	(46,983)
Other comprehensive loss for the year:													
Exchange differences related to foreign operations#		–	–	–	–	–	–	–	(2,342)	–	(2,342)	(70)	(2,412)
Change in fair value of equity instruments at fair value through other comprehensive loss, net of tax		–	–	–	(1,082)	–	–	–	–	–	(1,082)	–	(1,082)
Total comprehensive loss for the year		–	–	–	(1,082)	–	–	–	(2,342)	(36,039)	(39,463)	(11,014)	(50,477)
Disposal of a subsidiary		–	–	–	–	–	–	–	(236)	236	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(125)	(125)	125	–
Issue of shares	33(a)	123	–	15,486	–	–	–	–	–	–	15,609	–	15,609
Share repurchased	33(c)	–	(7)	(2,648)	–	–	–	–	–	–	(2,655)	–	(2,655)
Equity-settled share option arrangements	33(a)	–	–	4,977	–	(4,977)	–	–	–	–	–	–	–
Transfer from retained profits		–	–	–	–	–	–	85	–	(85)	–	–	–
At 31 December 2018		4,343	(95)	151,543	151	–	5	10,701	(7,709)	(67,300)	91,639	8,778	100,417

For the year ended 31 December 2019

		Attributable to owners of the parent										
	Notes	Share capital (note 33) HK$'000	Treasury shares (note 33) HK$'000	*Share premium account (note 33) HK$'000	*Fair value reserve HK$'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
At 31 December 2018		4,343	(95)	151,543	151	5	10,701	(7,709)	(67,300)	91,639	8,778	100,417
Loss for the year		–	–	–	–	–	–	–	(57,082)	(57,082)	(8,322)	(65,404)
Other comprehensive loss for the year:												
Exchange differences related toforeign operations#		–	–	–	–	–	–	(3,691)	–	(3,691)	218	(3,473)
Change in fair value of equity instruments at fair value through other comprehensive loss, net of tax		–	–	–	(1,969)	–	–	–	–	(1,969)	–	(1,969)
		–	–	–	(1,969)	–	–	(3,691)	(57,082)	(62,742)	(8,104)	(70,846)
Total comprehensive loss for the year												
Issue of shares	33(b)	480	–	192,480	–	–	–	–	–	192,960	–	192,960
Share repurchased	33(d)	–	(4)	(1,380)	–	–	–	–	–	(1,384)	–	(1,384)
Acquisition of non-controlling interest		–	–	–	–	–	–	–	218	218	(218)	–
Transfer from retained profits		–	–	–	–	–	–	–	–	–	–	–
At 31 December 2019		4,823	(99)	342,643	(1,818)	5	10,701	(11,400)	(124,164)	220,691	456	221,147

* These reserve accounts comprise the consolidated other reserves of HK$215,967,000 (2018: HK$87,391,000) in the consolidated statement of financial position.

\# Included in exchange differences related to foreign operations for 2019 is an amount related to investment in joint ventures and associates of HK$30,000 in debit balance (2018: HK$216,000 in debit balance).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(64,802)**	(49,087)
Adjustments for:			
Finance costs	7	**27,419**	9,028
Share of losses of joint ventures	6	**—**	3
Share of losses of associates	6	**1,072**	1,684
Acquisition expenses		**—**	3,469
Interest income	5	**(3,356)**	(3,280)
Dividend income from equity investments at fair value through other comprehensive income	5	**(420)**	(440)
Loss on disposal of items of property and equipment	6	**61**	—
Gain on disposal of a subsidiary	5	**—**	(96)
Amortisation and depreciation	6	**42,976**	9,965
Written off of goodwill	6	**2,307**	1,760
Impairment of property and equipment	6	**3,522**	5,618
Impairment of other intangible assets	6	**9,272**	8,774
Provision for impairment of trade receivables	6	**3,622**	2,125
Provision for impairment of other receivables and other assets	6	**1,831**	9,600
Provision for impairment of contract assets	6	**1,164**	2,379
Write-down of inventories to net realisable value	6	**391**	670
Exchange loss	6	**366**	1,891
Fair value gains on financial assets at fair value through profit or loss	6	**2,926**	2,032
Payables written back	5	**(1,075)**	(593)
Gain on disposal of partial shareholding in an associate	5	**—**	(3,777)
		27,276	1,725
Decrease/(increase) in inventories		**180**	(1,313)
Increase in contract assets		**(12,783)**	(45,130)
Decrease in gross amount due from customers for contract work		**—**	35,355
Increase in trade receivables		**(18,668)**	(7,704)
Decrease/(increase) in prepayments and other assets		**9,282**	(6,848)
(Decrease)/increase in trade payables		**(39,130)**	3,852
Increase/(decrease) in other payables and accruals		**1,337**	(4)
Increase in contract liabilities		**17,283**	31,077
Decrease in gross amount due to customers for contract work		**—**	(20,310)
CASH USED IN OPERATIONS		**(15,223)**	(9,300)
Interest received		**785**	687
Income tax received		**—**	1,752
Income tax paid		**(962)**	(2,304)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(15,400)**	(9,165)

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,571**	2,593
Purchases of items of property and equipment		**(4,463)**	(16,695)
Proceeds from disposal of items of property and equipment		**—**	14
Proceeds from disposal partially the equity interest in an associate		**—**	8,009
Capital contribution to a joint venture		**—**	(12)
Repayment of a loan from joint ventures		**62,430**	60,976
Loan to joint ventures		**(68,914)**	(60,976)
Repayment of a loan from an associate		**—**	3,469
Loan to an associate		**(1,075)**	(2,936)
Repayment of a loan from a director		**—**	1,186
Loan to directors		**(5,104)**	(1,186)
Dividend from equity instruments at fair value through other comprehensive income		**420**	440
Acquisition of subsidiaries	36	**(73,500)**	—
Prepayment for acquisition of subsidiaries	36	**—**	(50,000)
Acquisition expenses	36	**—**	(3,679)
Repayment of a loan to a third-party		**2,268**	5,041
Loan to a third-party		**(8,055)**	(5,041)
Disposal of a subsidiary		**—**	202
Additions to other intangible assets		**(1,196)**	(2,075)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(94,618)**	(60,670)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**—**	9,983
Proceeds used in share repurchase		**(1,384)**	(2,655)
Proceeds from issue of corporate bonds		**147,500**	41,500
Repayment of corporate bonds		**(49,500)**	—
Corporate bonds issue expenses		**(8,393)**	(5,500)
Repayment of lease liabilities		**(11,855)**	—
Capital injection by non-controlling interests		**—**	297
Acquisition of additional interest in a subsidiary		**(138)**	—
Interest paid		**(10,450)**	(3,960)
New other borrowings		**29,604**	5,535
Repayment of other borrowings		**(16,617)**	—
NET CASH FLOWS FROM FINANCING ACTIVITIES		**78,767**	45,200

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(31,251)**	(24,635)
Cash and cash equivalents at beginning of year		**85,987**	112,794
Effect of foreign exchange rate changes, net		**(854)**	(2,172)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**53,882**	85,987
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**53,882**	85,987
Cash and bank balances as stated in the consolidated statement of financial position		**53,882**	85,987
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**53,882**	85,987

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 activities of the Group are landscape architecture mainly in Hong Kong and Mainland China, catering business in Mainland China and Italy, and graphene business in Mainland China.

Information about subsidiaries

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

Name	Place of incorporation or establishment/ form of legal entity	Issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Earthasia Holdings Limited*	British Virgin Islands/limited liabilities company	US$100	100%	—	Investment holding
Earthasia (International) Limited* ("EAI")	Hong Kong/limited liabilities company	HK$5,000	—	100%	Landscape architecture
宥盛資本有限公司*("Upworth Capital Limited")	Hong Kong/limited liabilities company	HK$100	—	100%	Investment holding
Think High Global Limited	British Virgin Islands/limited liabilities company	US$1	—	100%	Investment holding
泛亞景觀設計(上海)有限公司* ("Earthasia (Shanghai) Co., Ltd.") #	Mainland China/ wholly foreign owned enterprise	US$5,200,000	—	100%	Landscape architecture
Earthasia Limited*	Hong Kong/limited liabilities company	HK$10,000	—	100%	Landscape architecture
泛亞城市規劃設計(上海) 有限公司* ("Earthasia Design (Shanghai) Co., Ltd.") #	Mainland China/ wholly owned domestic enterprise	RMB1,000,000	—	100%	Landscape architecture
泛亞國際環境設計(廈門)有限公司* ("Earthasia (Xiamen) Co., Ltd.") # ("EAXM")	Mainland China/ wholly owned domestic enterprise	RMB1,000,000	—	100%	Landscape architecture
前海泛亞景觀設計(深圳) 有限公司* ("Earthasia (QianHai) Limited") # ("EA SZ")	Mainland China/ wholly foreign owned enterprise	HK$1,000,000	—	100%	Interior design and landscape architecture
Earthasia Farm Investment Limited*	Hong Kong/limited liabilities company	HK$100	—	70%	Investment holding
上海景熊餐飲有限公司* ("Shanghai Jingxiong F&B Limited") # ("Jingxiong")	Mainland China/ wholly owned domestic enterprise	RMB640,000	—	100%	Catering

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment form of legal entity	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Yummy Holdings Limited*	British Virgin Islands/limited liabilities company	US$100	100%	—	Investment holding
Yummy Food Holdings Limited*	Hong Kong/limited liabilities company	HK$100	—	100%	Investment holding
上海扣熊餐飲管理合夥企業* (Shanghai Kouxiong Food Management LLP)# ("Kouxiong")	Mainland China/ limited liabilities partnership	RMB300,000	—	100%	Investment holding
上海景築文化旅遊發展有限公司* ("Shanghai Jingzhu Cultural Tourism Development Limited") #	Mainland China/ wholly foreign owned enterprise	RMB1,000,000	—	100%	Investment holding
上海築美餐飲管理有限公司* ("Shanghai Zhumei Food Management Co., Ltd.") #	Mainland China/ wholly owned domestic enterprise	RMB500,000	—	100%	Food Investment
上海淡奧新材料科技有限公司* ("Shanghai Tanao New Materials Technology Company Ltd.") # ("SH Tanao")	Mainland China/ wholly foreign owned enterprise	HK$100,000,000	—	100%	Sale of graphene products
黑龍江省牡丹江農墾淡奧石墨烯深加工有限公司* ("Heilongjiang Mudanjiang Agriculture Tanao Graphene Deep Processing Company Limited") # ("Tanao")	Mainland China/ wholly owned domestic enterprise	RMB50,000,000	—	100%	Manufacturing and sale of graphene products
Thai Gallery HK Limited* ("Thai Gallery HK")	Hong Kong/limited liabilities company	HK$100	—	51.00%	Investment holding
Thai Gallery SRL (Italy)*	Italy/limited liabilities company	EURO20,000	—	51.00%	Catering
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/ wholly owned domestic enterprise	RMB500,000	—	51.00%	Food Investment
泰歡餐飲管理(上海)有限公司* ("Thai Joy F&B Management (Shanghai) Co., Ltd.")# ("Thai Gallery SH")	Mainland China/ wholly foreign owned enterprise	RMB1,000,000	—	51.00%	Catering Management

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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., Tanao, SH Tanao, Jingxiong, Kouxiong, Wenlvge 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 Crowe (HK) CPA Limited.

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, except for equity investments which have been measured at fair value. 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 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC – Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Except for IFRS 16 Leases, none of the amendements have had a significant effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any any new standard or interpretation that is not yet effective for the current accounting period.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 16 Leases

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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify as either operating or finance leases using similar principles are in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information 2018 was not restated and continued to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economics benefits from use of the identified asset and the right to use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

(a) Nature of the effect of adoption IFRS 16

The Group has operating lease contracts for buildings, which were used by the Group for operation. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets and leases with a lease term of 12 months or less.

(b) Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of 4.53% on 1 January 2019.

The right-of-use assets were included in property, plant and equipment and measured at the amount of the lease liability, adjusted by the amount of accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

(b) Impact on transition (Continued)

The impacts arising from the adoption of IFRS 16 at 1 January 2019 are as follows:

	Carrying amount at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1 January 2019 HK$'000
Line items in the consolidated statement of financial position impacted by adoption of IFRS 16:			
Other property, plant and equipment	16,938	27,942	44,880
Total non-current assets	119,553	27,942	147,495
Lease liabilities (current)	—	10,365	10,365
Current liabilities	163,570	10,365	173,935
Net current assets	31,044	(10,365)	20,679
Total assets less current liabilities	150,597	17,577	168,174
Lease liabilities (non-current)	—	17,577	17,577
Total non-current liabilities	50,180	17,577	67,757
Net assets	100,417	—	100,417

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 16 Leases (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

(b) Impact on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	1 January 2019 HK$'000
Operating lease commitments as at 31 December 2018	40,131
Less: commitments relating to lease exempt from capitalisation	
– Short term leases and other leases with remaining lease term ending on or before 31 December 2019	(10,334)
	29,797
Less: total future interest expenses	(1,855)
Present value of remaining lease payments, discounted using the incremental borrowing rate of 4.53% at 1 January 2019 and total lease liabilities recognised at 1 January 2019	27,942

There is no impact on the opening balance of the Group's equity as at 1 January 2019 on the initial application of IFRS 16.

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the amortisation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 40). These elements are classified as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

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 these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 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:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. 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 re-assessing 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property and equipment and depreciation

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

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

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%
Right-of-use assets	Over the lease terms
Furniture and equipment	20%
Motor vehicles	20%
Machinery	20%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment and depreciation (Continued)

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 and 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 contract	20 years
Trademarks	15 years
Patents	15 years
Customer relationship	15 years
Software	3 - 5 years

Research and development costs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(A) Policy application from 1 January 2019

Where the contract contains lease component(s) and non-lease coomponent(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognised a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets (Continued)

As a lessee (Continued)

(A) Policy application from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

In the comparative period, leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(i) 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, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities through profit or loss, lease liabilities, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

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

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

(ii) 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.

(iii) Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 and other income

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income (Continued)

Revenue from contracts with customers (Continued)

(a) Landscape design services

Revenue from the provision of landscape design services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original landscape design contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Catering services

Revenue from the provision of catering services is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products

There are no contracts for the provision of catering services that provide customers with rights of return or volume rebates.

(d) Sale of graphene products

Revenue from sale of graphene products is recognised at the point in time when the control of the asset is transferred to the customer, generally on delivery of the graphene products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and other income (Continued)

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

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 34 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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 34). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cumulative expense recognised for cash-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 awards that will ultimately vest. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits (Continued)

Defined benefit plan

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

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

- Past service costs are recognised in profit or loss at the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

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

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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 consolidated financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Determining the method to estimate variable consideration and assessing the constraint for landscape design services

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original landscape design contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in landscape design services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the head contracts of the customers and the current economic conditions.

The Group concluded that revenue for landscape design services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the landscape design that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Revenue from contracts with customers (Continued)

Measurement of progress towards complete satisfaction of landscape design contract (only suitable for transferring control over time) (Continued)

(ii) Determining the timing of satisfaction of landscape design services and the recognition of revenue

The Group determined that the input method is the best method in measuring the progress of the landscape design services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the cost expended relative to the total expected cost to complete the services. Since the duration of providing the design services is relatively long and may cover more than one accounting period, the Group will review the contracts, revise budgets and adjust the revenue accordingly as the contract progress.

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.

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.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay a borrower over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

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 2019 was HK$105,051,000 (2018: HK$5,419,000). Further details are given in note 14.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 23 to the financial statements, respectively.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 46 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2019 was HK$870,000 (2018: HK$2,885,000). Further details are included in note 18 to the financial statements.

Fair value measurement

As the acquisition of the Think High Global Group, 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 management and the adoption of the appropriate valuation methodology.

Meanwhile, parts of the Group's book assets and liabilities are 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.

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.

4. OPERATING SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker (CODM), for the purposes of resources allocation and assessment of segment performance focuses on types of goods and services delivered and provided.

During the year, the residential development projects, infrastructure and public open space projects, commercial and mixed-use development projects and tourism and hotel projects have been aggregated into one reportable segment under landscape design, as all of these segments are primarily related to the landscape design, which have similar average gross margins and similar expected growth rates. The comparatives have been restated.

During the year, the Group commenced the business engaging in manufacture and sale of graphene products along with the acquisition of Think High Global Limited (as detailed in note 36), and it is considered as a new operating and reportable segment by the management.

The Group has identified the following three major reportable segments. Certain segments have been aggregated to form the following reportable segments:

(a) Landscape design;

(b) The catering business focuses on the operation of restaurants; and

(c) Manufacture and sale of graphene products

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, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

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 2019

	Landscape design services HK$'000	Graphene business HK$'000	Catering HK$'000	Total HK$'000
Segment revenue (note 5)				
Revenue	**154,114**	**123,474**	**36,353**	**313,941**
Segment results	**2,268**	**5,143**	**(24,441)**	**(17,030)**
Reconciliation				
Unallocated income and gains				**4,155**
Unallocated expenses				**(27,924)**
Unallocated finance costs				**(24,003)**
Loss before tax				**(64,802)**
Adjusted EBITDA (note (i))	**21,316**	**28,407**	**4,735**	**54,458**
Segment assets	**212,767**	**904,806**	**58,854**	**1,176,427**
Reconciliation				
Elimination of intersegment receivables				**(62,346)**
Unallocated assets				**37,450**
Total assets				**1,151,531**
Segment liabilities	**60,561**	**189,975**	**88,934**	**339,470**
Reconciliation				
Elimination of intersegment payables				**(62,346)**
Unallocated liabilities				**653,260**
Total liabilities				**930,384**

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019 (Continued)

	Landscape design services HK$'000	Graphene business HK$'000	Catering HK$'000	Total HK$'000
Other segment information				
Share of losses of associates unallocated				**1,072**
Impairment losses recognised in the in the statement of profit or loss	**5,593**	**—**	**17,384**	**22,977**
Impairment losses reversed in the statement of profit or loss	**(807)**	**—**	**—**	**(807)**
Reconciliation				
Unallocated				**—**
Total				**22,170**
Depreciation and amortisation	**13,815**	**21,033**	**8,128**	**42,976**
Income and gains allocated	**2,604**	**4,623**	**641**	**7,868**
Finance costs allocated	**447**	**2,231**	**738**	**3,416**
Fair value losses, net	**—**	**—**	**2,926**	**2,926**
Investments in an associate unallocated				**1,212**
Capital expenditures (note (ii))	**3,855**	**—**	**117**	**3,972**
Reconciliation				
Unallocated				**1,687**
Total				**5,659**

Note:

(i) Adjusted EBITDA is defined as earnings before interest expense, taxation, depreciation and amortisation, and excludes fair value change on financial assets at fair value through profit or loss, written off of goodwill, impairment of other intangible assets and property and equipment, write-down of inventories to net realisable value, share of losses of joint ventures and impairment loss/(reversal of impairment loss) on trade receivables, contract assets.

(ii) Capital expenditure consists of additions to property and equipment and other intangible assets except for right-of-use assets.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018

	Landscape design services HK$'000	Graphene business HK$'000	Catering HK$'000	Total HK$'000
Segment revenue (note 5)				
Revenue	156,827	—	40,484	197,311
Segment results	17,532	—	(32,008)	(14,476)
Reconciliation				
Unallocated income and gains				8,395
Unallocated expenses				(33,978)
Unallocated finance costs				(9,028)
Loss before tax				(49,087)
Adjusted EBITDA	25,945	—	2,505	28,450
Segment assets	197,832	—	70,377	268,209
Reconciliation				
Elimination of intersegment receivables				(57,266)
Unallocated assets				103,224
Total assets				314,167
Segment liabilities	49,640	—	80,347	129,987
Reconciliation				
Elimination of intersegment payables				(57,266)
Unallocated liabilities				141,029
Total liabilities				213,750

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2018 (Continued)

	Landscape design services HK$'000	Graphene business HK$'000	Catering HK$'000	Total HK$'000
Other segment information				
Share of losses of joint ventures allocated	—	—	3	3
Share of losses of associates unallocated				1,684
Impairment losses recognised in the in the statement of profit or loss	4,939	—	26,422	31,361
Impairment losses reversed in the statement of profit or loss	(435)	—	—	(435)
Reconciliation				
Unallocated				—
Total				30,926
Depreciation and amortisation	3,909	—	6,056	9,965
Income and gains allocated	7,894	—	—	7,894
Finance cost allocated	—	—	—	—
Fair value losses, net	—	—	2,032	2,032
Investment in a joint venture	—	—	199	199
Investments in an associate unallocated				2,297
Capital expenditures (note (ii))	4,297	—	14,473	18,770
Reconciliation				
Unallocated				—
Total				18,770

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2019 HK$'000	2018 HK$'000
Hong Kong	**20,112**	20,602
Mainland China	**278,928**	163,130
Others	**14,901**	13,579
	313,941	197,311

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

During the years ended 31 December 2019 and 2018, other than Mainland China and Hong Kong, the Group derived revenue from Macau and Italy.

(b) Non-current assets

	2019 HK$'000	2018 HK$'000
Hong Kong	**9,282**	52,608
Mainland China	**745,777**	52,088
Others	**8,678**	9,121
	763,737	113,817

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$27,703,000 (2018: HK$10,216,000) was derived from services to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue for contracts with customers		
Landscape design services	**154,114**	156,827
Sale of graphene products	**123,474**	—
Catering revenue	**25,087**	31,270
Catering management services	**11,266**	9,214
	313,941	197,311

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

	Landscape design services						
	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	Graphene HK$'000	Catering HK$'000	Total HK$'000
Type of goods or services							
Landscape design services	77,013	30,731	35,457	10,913	—	—	154,114
Sales of graphene	—	—	—	—	123,474	—	123,474
Catering revenue	—	—	—	—	—	25,087	25,087
Catering management services	—	—	—	—	—	11,266	11,266
Total Revenue	77,013	30,731	35,457	10,913	123,474	36,353	313,941
Geographical markets							
Hong Kong	6,489	9,082	4,381	160	—	—	20,112
Mainland China	70,524	21,649	31,076	8,743	123,474	23,462	278,928
Others	—	—	—	2,010	—	12,891	14,901
Total Revenue	77,013	30,731	35,457	10,913	123,474	36,353	313,941
Timing of revenue recognition							
Goods transferred at a point in time	—	—	—	—	123,474	25,087	148,561
Services transferred over time	77,013	30,731	35,457	10,913	—	11,266	165,380
Total Revenue	77,013	30,731	35,457	10,913	123,474	36,353	313,941

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2018

	Landscape design services						
	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	Graphene HK$'000	Catering HK$'000	Total HK$'000
Type of goods or services							
Landscape design services	80,097	33,695	28,651	14,384	—	—	156,827
Catering revenue	—	—	—	—	—	31,270	31,270
Catering management services	—	—	—	—	—	9,214	9,214
Total Revenue	80,097	33,695	28,651	14,384	—	40,484	197,311
Geographical markets							
Hong Kong	6,309	11,635	1,522	1,136	—	—	20,602
Mainland China	73,788	22,060	27,129	13,154	—	26,999	163,130
Others	—	—	—	94	—	13,485	13,579
Total Revenue	80,097	33,695	28,651	14,384	—	40,484	197,311
Timing of revenue recognition							
Goods transferred at a point in time	—	—	—	—	—	31,270	31,270
Services transferred over time	80,097	33,695	28,651	14,384	—	9,214	166,041
Total Revenue	80,097	33,695	28,651	14,384	—	40,484	197,311

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2019

	Landscape design services						
	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	Graphene HK$'000	Catering HK$'000	Total HK$'000
Revenue from contacts with customers							
External customers	**77,013**	**30,731**	**35,457**	**10,913**	**123,474**	**36,353**	**313,941**
Intersegment sales	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	77,013	**30,731**	**35,457**	**10,913**	**123,474**	**36,353**	**313,941**
Intersegment adjustments and eliminations	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total revenue from contracts with customers	**77,013**	**30,731**	**35,457**	**10,913**	**123,474**	**36,353**	**313,941**

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2018

	Landscape design services						
	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	Graphene HK$'000	Catering HK$'000	Total HK$'000
Revenue from contacts with customers							
External customers	80,097	33,695	28,651	14,384	—	40,484	197,311
Intersegment sales	—	—	—	—	—	—	—
	80,097	33,695	28,651	14,384	—	40,484	197,311
Intersegment adjustments and eliminations	—	—	—	—	—	—	—
Total revenue from contracts with customers	80,097	33,695	28,651	14,384	—	40,484	197,311

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Landscape design services	**10,269**	16,460

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Landscape design services
The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Sale of graphene products
The performance obligation is satisfied upon delivery of the graphene products and payment is generally due within two months to four months from delivery, except for new customers, where payment in advance is normally required.

Catering services
The performance obligation is satisfied upon delivery of catering products and payment at the same time.

Management services
The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of more than one year.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at end of reporting period are as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**101,229**	107,331
More than one year	**320,449**	326,026
	421,678	433,357

The remaining performance obligations expected to be recognised in more than one year relate to landscape design services that are to be satisfied within five years and catering management service that are to be satisfied within twenty years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue for contracts with customers (Continued)

	2019 HK$'000	2018 HK$'000
Other income		
Service income	**5,226**	4,635
Dividend income from equity investments at fair value through other comprehensive income	**420**	440
Interest income	**3,356**	3,280
Government grants	**1,567**	2,666
	10,569	11,021
Gain		
Payables written back	**1,075**	593
Gain on disposal of a subsidiary	**—**	96
Gain on disposal of an associate*	**—**	3,777
Others	**379**	802
	1,454	5,268
	12,023	16,289

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

* During the year ended 31 December 2018, HK$3,777,000 represented the gain on disposal partially the equity interest in an associate company, Shanghai Teddy Friends Investment Management Limited.

6. LOSS BEFORE TAX

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

	Notes	**2019** **HK$'000**	2018 HK$'000
Cost of inventories sold		**98,087**	10,105
Cost of services provided		**69,495**	73,054
Cost of sales***		**167,582**	83,159
Amortisation and depreciation		**42,976**	9,965
– owned assets	13	**5,449**	4,142
– right of use assets	13	**14,892**	—
– other intangible assets	15	**22,635**	5,823
Research and development costs:			
Current year expenditure		**16,809**	6,740
Written off of goodwill*	14	**2,307**	1,760
Impairment of property and equipment*	13	**3,522**	5,618
Impairment of other intangible assets*	15	**9,272**	8,774
Share of losses of joint ventures	16	**—**	3
Share of losses of associates	17	**1,072**	1,684
Fair value losses, net*			
Financial assets at fair value through profit or loss		**2,926**	2,032
Minimum lease payments under operating leases	13	**—**	21,187
Lease payments for lease less than 12 months	13	**6,977**	—
Auditors' remuneration		**4,905**	4,632
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**103,090**	98,746
Pension scheme contributions (defined contribution scheme)		**18,371**	11,882
Welfare and other benefits		**2,372**	4,757
		123,833	115,385
Foreign exchange differences, net		**366**	1,819
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	20	**3,622**	2,125
Impairment of contract assets, net	23	**1,164**	2,379
Impairment of financial assets included in prepayments, other receivables and other assets	21	**1,831**	9,600
		6,617	14,104
Loss on disposal of items of property and equipment		**61**	—
Write-down of inventories to net realisable value**	19	**391**	670

6. LOSS BEFORE TAX (Continued)

* The impairment of property and equipment and other intangible assets, the written off of goodwill, and fair value losses, net are included in "Other expenses" in the consolidated statement of profit or loss.

** The write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

*** Cost of sales includes HK$51,095,000 (2018:HK$55,074,000) related to staff cost and raw material expenses of HK$77,995,000 (2018: HK$Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on interest-bearing other borrowings	**14,348**	9,028
Interest on promissory note	**9,655**	—
Interest on lease liabilities	**3,416**	—
	27,419	9,028

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	
	2019 HK$'000	2018 HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**11,369**	11,833
Pension scheme contributions and other benefits	**108**	100
	11,477	11,933
	11,837	12,293

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:

	2019 HK$'000	2018 HK$'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 (2018: HK$nil).

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

	2019		
	Salaries, allowances and benefits in kind **HK$'000**	**Pension scheme contributions and other benefits** **HK$'000**	**Total** **HK$'000**
Executive directors:			
Patrick Lau	**3,360**	**36**	**3,396**
Ming Tian	**1,760**	**—**	**1,760**
Liu Yang	**1,440**	**18**	**1,458**
Bin Qiu	**1,440**	**18**	**1,458**
	8,000	**72**	**8,072**
Non-executive director:			
Lida Ma	**600**	**—**	**600**
Chief executive:			
Andross Chan	**2,769**	**36**	**2,805**
	11,369	**108**	**11,477**

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

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

	2018		
	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions and other benefits HK$'000	Total HK$'000
Executive directors:			
Patrick Lau	2,880	20	2,900
Ming Tian	1,894	—	1,894
Liu Yang	1,440	18	1,458
Bin Qiu	1,440	18	1,458
	7,654	56	7,710
Non-executive directors:			
Lida Ma	120	—	120
Chief executive:			
Andross Chan	4,059	44	4,103
	11,833	100	11,933

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 two directors and the chief executive (2018: two 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 two (2018: two) highest paid employee who is neither a director nor a chief executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**3,141**	3,260
Pension scheme contributions and other benefits	**93**	55
	3,234	3,315

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	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 (2018: 15%).

前海泛亞景觀設計 (深圳) 有限公司 has been provided at the rate of 15% (2018: 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.

黑龍江省牡丹江農墾淤奧石墨烯深加工有限公司 is qualified for High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% provided on the estimated assessable profits for the year.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% for the year (2018: 25%) under the income tax rules and regulations in the PRC.

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").

	2019 HK$'000	2018 HK$'000
Current – Hong Kong	**—**	(1,260)
Current – Mainland China	**5,268**	2,464
Current – Italy	**194**	274
	5,462	1,478
Deferred tax (note 31)	**(4,860)**	(3,582)
Total tax charge/(credit) for the year	**602**	(2,104)

10. INCOME TAX (Continued)

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

2019

	Hong Kong		Mainland China		Italy		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(10,108)		(14,330)		(3,435)		(36,929)		(64,802)	
Tax at the statutory tax rate	(1,668)	16.5	(3,583)	25.0	(958)	27.9	(15)	—	(6,224)	9.6
Lower tax rate for specific provinces or enacted by local authority	—	—	(633)	4.4	—	—	—	—	(633)	1.0
Income not subject to tax	(78)	0.8	—	—	—	—	—	—	(78)	0.1
Adjustments on respect of current - tax of previous periods	—	—	12	(0.1)	—	—	—	—	12	—
Expense not deductible for tax	43	(0.4)	400	(2.8)	226	(6.6)	—	—	669	(1.0)
Temporary difference - not recognised	59	(0.6)	1,674	(11.7)	104	(3)	—	—	1,837	(2.8)
Tax losses not recognised	1,644	(16.3)	3,360	(23.4)	—	—	15	—	5,019	(7.7)
Tax charge at the Group's effective rate	—	—	1,230	(8.58)	(628)	18.28	—	—	602	(0.9)

2018

	Hong Kong		Mainland China		Italy		Others		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(10,936)		(21,522)		(2,952)		(13,677)		(49,087)	
Tax at the statutory tax rate	(1,804)	16.5	(5,381)	25.0	(824)	27.9	—	—	(8,009)	16.3
Lower tax rate for specific provinces or enacted by local authority	—	—	456	(2.1)	—	—	—	—	456	(0.9)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	(45)	0.4	—	—	—	—	—	—	(45)	0.1
Income not subject to tax	(338)	3.1	—	—	—	—	—	—	(338)	0.7
Adjustments on respect of current - tax of previous periods	(1,762)	16.1	—	—	—	—	—	—	(1,762)	3.6
Expense not deductible for tax	6	(0.1)	98	(0.5)	444	(15.0)	—	—	548	(1.1)
Temporary difference - not recognised	537	(4.9)	4,692	(21.8)	—	—	—	—	5,229	(10.7)
Tax losses utilised from previous periods	(6)	0.1	(1,518)	7.1	—	—	—	—	(1,524)	3.1
Tax losses not recognised	2,107	(19.3)	1,234	(5.7)	—	—	—	—	3,341	(6.8)
Tax charge/(credit) at the Group's effective rate	(1,305)	11.9	(419)	1.9	(380)	12.9	—	—	(2,104)	4.3

11. DIVIDEND

	2019	2018
	HK$'000	HK$'000
Proposed final – Nil (2018: Nil) per ordinary share	**—**	—

The Board does not recommend the payment of any final dividend in respect for the year ended 31 December 2019.

12. 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 443,803,793 (2018: 425,223,678) 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.

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 2019 and 2018 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:

	2019	2018
	HK$'000	HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent	**(57,082)**	(36,039)

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculations	**443,803,793**	425,223,678
Effect of dilution – weighted average number of ordinary shares:		
Shares awarded	**—**	—
	443,803,793	425,223,678

13. PROPERTY AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
31 December 2019						
At 31 December 2018 and at 1 January 2019:						
Cost	—	22,943	17,534	3,155	397	44,029
Accumulated depreciation	—	(8,717)	(10,833)	(2,032)	(121)	(21,703)
Impairment	—	(4,509)	(603)	—	(276)	(5,388)
Net carrying amount	—	9,717	6,098	1,123	—	16,938
Impact on initial application of IFRS 16	27,942	—	—	—	—	27,942
At 1 January 2019, net of accumulated depreciation and impairment	—	9,717	6,098	1,123	—	16,938
Additions	7,933	2,284	1,505	674	—	12,396
Acquisition of subsidiaries (note 36)	55,019	—	—	—	4,713	59,732
Impairment	—	(2,115)	(1,086)	(321)	—	(3,522)
Amortisation and depreciation	(14,892)	(2,863)	(1,769)	(686)	(131)	(20,341)
Disposal	—	—	(61)	—	—	(61)
Exchange realignment	(347)	(161)	(104)	(10)	(12)	(634)
At 31 December 2019, net of accumulated amortisation, depreciation and impairment	75,655	6,862	4,583	780	4,570	92,450
At 31 December 2019:						
Cost	91,333	24,849	18,130	3,775	5,273	143,360
Accumulated amortisation and depreciation	(15,678)	(11,399)	(11,875)	(2,678)	(427)	(42,057)
Accumulated impairment	—	(6,588)	(1,672)	(317)	(276)	(8,853)
Net carrying amount	75,655	6,862	4,583	780	4,570	92,450

During the year, the Group closed certain loss-making restaurants. An impairment provision of HK$3,522,000 (2018: HK$5,618,000) of the catering segment was recognised in profit and loss for the year ended 31 December 2019.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Other properties leased for own use, carried at amortised cost	**41,476**	27,942
Plant and machinery leased for own use, carried at amortised cost	**34,179**	—
	75,655	27,942

Impairment test on right-of-use assets with a carrying amount of HK$53,302,000 (2018: Nil) related to Graphene Business was disclosed in note 15 below and no impairment was recognised at 31 December 2019.

13. PROPERTY AND EQUIPMENT (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is follows:

	2019 HK$'000	2018 HK$'000
Amortisation expense of right-of-use assets	**14,892**	—
Interest expense on lease liabilities	**3,416**	—
Expense relating to short-term leases less than 12 months	**6,977**	—
Minimum lease payments under operating leases	**—**	21,187
	25,285	21,187

The Group had total cash outflows for leases of HK$11,855,000 in 2019.

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
31 December 2018					
At 31 December 2017 and at 1 January 2018:					
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
At 1 January 2018, net of accumulated depreciation	4,478	4,645	1,282	383	10,788
Additions	12,295	3,957	411	32	16,695
Impairment	(4,702)	(628)	—	(288)	(5,618)
Depreciation	(1,914)	(1,600)	(506)	(122)	(4,142)
Disposal	—	(14)	—	—	(14)
Exchange realignment	(440)	(262)	(64)	(5)	(771)
At 31 December 2018, net of accumulated depreciation and impairment	9,717	6,098	1,123	—	16,938
At 31 December 2018:					
Cost	22,943	17,534	3,155	397	44,029
Accumulated depreciation	(8,717)	(10,833)	(2,032)	(121)	(21,703)
Accumulated impairment	(4,509)	(603)	—	(276)	(5,388)
Net carrying amount	9,717	6,098	1,123	—	16,938

14. GOODWILL

	HK$'000
At 1 January 2018	7,219
Written off during the year	(1,760)
Exchange realignment	(40)
At 31 December 2018	5,419
At 31 December 2018:	
Cost	5,419
Cost and net carrying amount at 1 January 2019	5,419
Written off during the year	(2,307)
Acquisition of subsidiaries (note 36)	101,939
At 31 December 2019	105,051
At 31 December 2019:	
Cost	105,051

Written off goodwill

During the year, the Group decided to close certain loss-making restaurants in the near future and identified certain restaurants with insufficient future cash inflows to fully cover the carrying amount of the restaurants' assets. Goodwill of the closed restaurants HK$2,307,000 (2018: HK$1,760,000) has been written off to profit and loss transferred out for the year ended 31 December 2019.

Impairment testing of goodwill

Goodwill acquired through business acquisitions is allocated to the following cash-generating units for impairment testing:

- Japanese cuisine restaurants cash-generating unit ("CGU A"),
- Thai cuisine restaurants – Italy cash-generating unit ("CGU B"),
- Thai cuisine restaurants – China cash-generating unit ("CGU C")
- Thai cuisine restaurant management cash-generating unit ("CGU D"), and
- Graphene business cash generating-unit ("CGU E")

14. GOODWILL (Continued)

Japanese cuisine restaurants cash-generating unit

The recoverable amount of this cash-generating unit has been determined based on a current market value calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The recoverable amount of this cash-generating unit has been written off to profit and loss during the year.

Thai cuisine restaurants – Italy cash-generating unit

The recoverable amount of this cash-generating unit has been determined based on a current market value calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The pre-tax discount rates applied to the cash flow projections are 16.33% (2018: 19.19%) and the cash flows beyond the ten-year period were extrapolated using a growth rate of 1.26% (2018: 1.57%).

Thai cuisine restaurants – China cash-generating unit

The recoverable amount of the cash-generating units has been determined based on a current market value calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The recoverable amount of this cash-generating unit has been written off to profit and loss during the year.

Thai cuisine restaurant management cash-generating unit

The recoverable amount of the cash-generating units has been determined based on a current market value calculation using cash flow projections based on financial budgets covering a ten-year period approved by senior management. The pre-tax discount rates applied to the cash flow projections are 20.57% (2018: 28.65%) and the cash flows beyond the ten-year period were extrapolated using a growth rate of 2.82% (2018: 2.75%).

Graphene business cash-generating unit

The recoverable amount of the cash-generating units has been determined based on a current market value 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 19.3% and the cash flows beyond the five-year period were extrapolated using a growth rate of 2%.

14. GOODWILL (Continued)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

31 December 2019 (HK$'000)	**CGU A**	**CGU B**	**CGU C**	**CGU D**	**CGU E**	**Total**
Carrying amount of goodwill	**—**	**1,402**	**—**	**1,941**	**101,708**	**105,051**

31 December 2018 (HK$'000)	CGU A	CGU B	CGU C	CGU D	CGU E	Total
Carrying amount of goodwill	329	1,428	1,684	1,978	—	5,419

Assumptions were used in the value calculation of the cash-generating units for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake an impairment testing of goodwill.

Budgeted revenue from the catering segment:	The basis used to determine the value assigned to the revenue from catering segment and graphene segment are the average revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.
Budgeted operating expenses:	The basis used to determine the values assigned are the cost of inventories consumed, staff costs, and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.
Discount rates:	The discount rates used are before tax and reflect specific risks relating to the unit.

Sensitivity to changes in assumptions

With regard to the assessment of the value in use of the cash-generating units, 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 units to exceed the recoverable amount.

15. OTHER INTANGIBLE ASSETS

	Software HK$'000	Backlog contracts HK$'000	Brand names HK$'000	Patents HK$'000	Trademarks HK$'000	Customer relationships HK$'000	Total HK$'000
31 December 2019							
Cost at 1 January 2018, net of accumulated amortisation	3,208	16,924	15,886	—	—	—	36,018
Additions	1,196	—	—	—	—	—	1,196
Acquisition of subsidiaries (note 36)	—	—	—	258,222	229,408	174,814	662,444
Amortisation provided during the year	(1,895)	(903)	(1,457)	(7,111)	(6,455)	(4,814)	(22,635)
Impairment during the year	—	—	(9,272)	—	—	—	(9,272)
Exchange realignment	(41)	—	1	(824)	(595)	(558)	(2,017)
At 31 December 2019	2,468	16,021	5,158	250,287	222,358	169,442	665,734
At 31 December 2019:							
Cost	14,609	18,052	27,748	257,438	228,711	174,283	720,841
Amortisation	(12,073)	(2,031)	(5,059)	(7,151)	(6,353)	(4,841)	(37,508)
Accumulated impairment	(68)	—	(17,531)	—	—	—	(17,599)
Net carrying amount	2,468	16,021	5,158	250,287	222,358	169,442	665,734

Patents, trademarks and customer relationships acquired during the year through business combination are mainly related to the Graphene Business, as referred to in note 36 below.

The recoverable amount of Graphene Business as the identified cash-generating unit ("CGU") has been determined on a value in use calculation. At 31 December 2019, the recoverable amount of the CGU, to which patents, trademarks and customer relationships, certain goodwill of HK$101,939,000 and right-of-use assets of HK$53,302,000 (note 13) are allocated, is determined taking into account the valuation performed by CHFT Advisory And Appraisal Limited, an independent firm of qualified valuers not related to the Group and with qualifications and experiences in valuing similar assets, based on the cash flows forecasts derived from the most recent financial budgets for the next five years approved by the management using the pre-tax discount rate of 19.3% per annum which reflects current market assessments of the time value of money and the risks specific to the CGU. Other key assumptions for the value in use calculations is the budgeted growth rate of 2%, which is determined based on the past performance, management's expectations for the market development and market growth forecasts.

Based on the result of the valuation, the recoverable amount of the CGU, to which patents, trademarks and customer relationships, related goodwill (note 14) and right-of-use assets (note 13) are allocated, exceeds its carrying amount as at 31 December 2019. Accordingly, no impairment loss on patents, trademarks and customer relationships, related goodwill (note 14) and right-of-use assets (note 13) in respect of Graphene Business has been recognised during the year ended 31 December 2019.

15. OTHER INTANGIBLE ASSETS (Continued)

The management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount as at 31 December 2019.

As at 31 December 2019, the Group determined that the brand names for the Groups' catering services had indicators of impairment. The management compared the carrying amount of each of the brand names with its recoverable amount to determine the amount of the impairment. The estimates of recoverable amount were determined based on the higher of the brand names' value-in-used and its fair value less costs of disposal. In determining the value in use, the pre-tax discount rate of 16.33% and 20.57% (2018: 19.19% and 28.65%) was used, reflecting the current market assessment of the value of money and the risk specific to the brand names. As at 31 December 2019, the carrying amount of the brand names of the catering segment was written down to their estimated recoverable amount of HK$5,158,000 (2018: HK$15,886,000). The impairment losses of HK$9,272,000 (2018: HK$8,703,000) were recognised in profit and loss of the catering segment for the year ended 31 December 2019.

	Software HK$'000	Backlog contracts HK$'000	Brand names HK$'000	Total HK$'000
31 December 2018				
Cost at 1 January 2018, net of accumulated amortisation	3,075	17,827	28,153	49,055
Additions	2,075	—	—	2,075
Amortisation provided during the year	(1,723)	(903)	(3,197)	(5,823)
Impairment during the year	(71)	—	(8,703)	(8,774)
Exchange realignment	(148)	—	(367)	(515)
At 31 December 2018	3,208	16,924	15,886	36,018
At 31 December 2018:				
Cost	13,646	18,052	27,426	59,124
Accumulated amortisation	(10,369)	(1,128)	(3,127)	(14,624)
Accumulated impairment	(69)	—	(8,413)	(8,482)
Net carrying amount	3,208	16,924	15,886	36,018

16. INVESTMENTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Share of net assets	**—**	199

16. INVESTMENTS IN JOINT VENTURES (Continued)

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

Name	Particulars of issued shares held/ paid-up capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of 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 (HK) Limited ("EA HK")	Issued shares of HK$100	Hong Kong	18	50	18	Dormant
大連鵬亞國際貿易有限公司 ("Dalian Pengya International Trade Co., Ltd")# ("Dalian Trading")	Issued shares of RMB100,000	Mainland China	30	50	30	Trading business

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.

During the year ended 31 December 2019, the Group obtained control of Shanghai Kouxiong Food LLP ("Kouxing") by acquiring an additional 41% equity interest in Kouxing at a consideration of HK$138,000. The acquisition constituted a deem disposal of 59% equity interest in Kouxing by the Group.

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

	2019 HK$'000	2018 HK$'000
Share of the joint ventures' loss for the year	—	(3)
Share of the joint ventures' total comprehensive loss	—	(3)
Aggregate carrying amount of the Group's investments in the joint ventures	—	(199)

16. 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$1,627,000 (2018: HK$698,000) and HK$3,355,000 (2018: HK$1,728,000), respectively.

17. INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	**1,212**	2,297

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held/ paid-up capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
上海泰迪朋友投資管理有限公司 (Shanghai Teddy Friends Investment Management Limited#) ("Teddy")	Registered capital of RMB27,000,000	Mainland China	20	20	20	Investment holding
蘇州蘇迪投資發展有限公司 (Suzhou Sudi Investment and Development Limited#) ("Sudi")	Registered capital of RMB35,000,000	Mainland China	10	10	10	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 associates of the Group and are accounted for using the equity method.

17. INVESTMENTS IN ASSOCIATES (Continued)

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

	Teddy	
	2019	2018
	HK$'000	HK$'000
Current assets	**11,269**	19,165
Non-current assets	**30,279**	32,325
Current liabilities	**(27,833)**	(28,656)
Non-controlling interests	**7,102**	10,744
Equity attributable to the owners of the parent	**6,613**	12,090
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**20%**	20%
Group's share of net assets of the associate	**1,323**	2,418
Offset related party transactions	**(111)**	(121)
Carrying amount of the investment	**1,212**	2,297
Revenue	**3,985**	19,608
Loss for the year	**(5,278)**	(6,143)
Other comprehensive loss	**—**	(1,027)
Total comprehensive loss for the year	**(5,278)**	(7,170)

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
深圳市前海邦你貸互聯網金融服務有限公司	**2,885**	2,885
At 1 January	**2,885**	2,885
Fair value change transfer to equity through statement of other comprehensive income	**(1,992)**	—
Exchange realignment	**(23)**	—
At 31 December	**870**	2,885

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

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

During the year ended 31 December 2019, the Group received dividends in the amounts of HK$420,000 (2018: HK$440,000), from Lendbang.

19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw material	**11,304**	—
Finished goods	**13,119**	1,331
	24,423	1,331

At 31 December 2019, the carrying amount of inventories carried at the lower of cost and net realisable value amount to HK$24,423,000 (2018: HK$1,331,000), after provision for impairment of HK$391,000 (2018: HK$670,000).

20. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade and bills receivables	**143,796**	82,902
Impairment	**(35,686)**	(32,738)
	108,110	50,164

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. 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$100,097,000 (2018: HK$47,948,000) and billable of HK$43,699,000 (2018: HK$34,954,000).

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

	2019	2018
	HK$'000	HK$'000
Within 6 months	**79,938**	34,037
Over 6 months but within 1 year	**21,320**	6,542
Over 1 year but within 2 years	**5,893**	6,439
Over 2 years but within 3 years	**959**	3,146
	108,110	50,164

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2019	2018
	HK$'000	HK$'000
At 1 January	**32,738**	31,077
Effect of adoption of IFRS 9	**—**	1,292
At 1 January (restated)	**—**	32,369
Impairment losses, net (note 6)	**3,622**	2,125
Exchange alignment	**(674)**	(1,756)
At 31 December	**35,686**	32,738

20. TRADE AND BILLS RECEIVABLES (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on invoice date for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

PRC Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	**3.98%**	**9.20%**	**34.65%**	**80.31%**	**100%**	**100%**	**46.14%**
Gross carrying amount	**23,954**	**12,738**	**8,908**	**4,871**	**21,210**	**5,079**	**76,760**
Expected credit losses	**954**	**1,172**	**3,087**	**3,912**	**21,210**	**5,079**	**35,414**

HK Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	**0%**	**0%**	**0%**	**100%**	**100%**	**100%**	**5.97%**
Gross carrying amount	**4,133**	**80**	**72**	**36**	**18**	**218**	**4,557**
Expected credit losses	**—**	**—**	**—**	**36**	**18**	**218**	**272**

For Catering Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over3 years	Credit impaired	Total
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**0%**
Gross carrying amount	**7,914**	**—**	**—**	**—**	**—**	**—**	**7,914**
Expected credit losses	**—**	**—**	**—**	**—**	**—**	**—**	**—**

20. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2019 (Continued)

For Graphene Customers (HK$'000)

	Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over3 years**	**Credit impaired**	**Total**
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**0%**
Gross carrying amount	**44,891**	**9,674**	**—**	**—**	**—**	**—**	**54,565**
Expected credit losses	**—**	**—**	**—**	**—**	**—**	**—**	**—**

As at 31 December 2018

PRC Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	2.87%	12.43%	36.93%	64.71%	100%	100%	45.15%
Gross carrying amount	24,037	7,471	10,153	8,830	16,020	5,335	71,846
Expected credit losses	689	929	3,749	5,714	16,020	5,335	32,436

HK Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	0.01%	0.03%	2.30%	25%	100%	100%	5.64%
Gross carrying amount	4,988	—	36	40	73	218	5,355
Expected credit losses	—	—	1	10	73	218	302

For Catering Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	0%	0%	0%	0%	0%	100%	0%
Gross carrying amount	5,701	—	—	—	—	—	5,701
Expected credit losses	—	—	—	—	—	—	—

Included in the Group's trade and bills receivables was an amount due from Pubang of HK$132,000 (2018: HK$628,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	HK$'000	HK$'000
Current:		
Prepayments	**15,031**	6,980
Deposits and other receivables	**26,683**	20,397
Loans to directors (note 24)	**5,023**	—
Loan to joint ventures (note 43)	**6,449**	—
Loan to an associate	**1,058**	—
Loan receivables	**5,715**	—
Impairment allowance	**(12,676)**	(11,085)
	47,283	16,292
Non-current:		
Prepayments	**581**	50,590
Deposits	**2,890**	4,890
	3,471	55,480
Total	**50,754**	71,772

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

	2019	2018
	HK$'000	HK$'000
At 1 January	**11,085**	2,242
Impairment during the year (note 6)	**1,831**	9,600
Exchange alignment	**(240)**	(757)
At 31 December	**12,676**	11,085

Deposits and other receivables mainly represent rental deposits, loan receivables, service income receivables, prepayment to suppliers and deposits with customers.

Included in the Group's deposits and other receivables are an amount due from a joint venture of HK$nil (2018: HK$3,000), an amount due from an associate of HK$nil (2018: HK$48,000) and an amount due from Pubang of HK$61,000 (2018: HK$85,000) which have no fixed terms of repayment and are interest-free and unsecured.

As at 31 December 2019, except for other receivables of HK$12,676,000 (2018: HK$11,085,000) which were fully impaired, none of the above assets was either past due or impaired and the financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**1,194**	4,122

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 IFRS 9. The value of the call options was HK$1,194,000 at 31 December 2019 (2018: HK$4,122,000).

23. CONTRACT ASSETS

	2019	2018
	HK$'000	HK$'000
Contract assets arising from:		
Landscape design services	**99,178**	88,237
	99,178	88,237
Impairment	**(51,787)**	(51,645)
	47,391	36,592

Contract assets are initially recognised for revenue earned from landscape design services as the cumulative revenue recognised in profit or loss exceed the cumulative billings to provide service. The contract assets will be reclassified as receivables when the progress billings are issued and delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The contract asset will also be reclassified as receivables when the performance obligation of the contracts has been completed. The increase in contract assets in 2019 was the result of the increase in the provision of landscape design services at the end of the year.

During the year ended 31 December 2019, HK$51,787,000 (2018: HK$51,645,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

23. CONTRACT ASSETS (Continued)

The expected timing of recovery or settlement for contract assets as at 31 December 2019 is as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**47,391**	36,592
Total contract assets	**47,391**	36,592

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of years	**51,645**	47,801
Effect of adoption of IFRS9	**—**	4,270
At beginning of year (restated)	**51,645**	52,071
Impairment losses, net (note 6)	**1,164**	2,379
Exchange alignment	**(1,022)**	(2,805)
At end of year	**51,787**	51,645

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

23. CONTRACT ASSETS (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2019

PRC Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	**7.51%**	**19.68%**	**47.07%**	**80.98%**	**100%**	**100%**	**53.31%**
Gross carrying amount	**24,031**	**17,748**	**14,467**	**6,136**	**7,498**	**27,164**	**97,044**
Expected credit losses	**1,804**	**3,492**	**6,810**	**4,969**	**7,498**	**27,164**	**51,737**

HK Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	**0%**	**0.26%**	**4.65%**	**25.61%**	**100%**	**100%**	**2.34%**
Gross carrying amount	**1,438**	**381**	**215**	**82**	**18**	**—**	**2,134**
Expected credit losses	**—**	**1**	**10**	**21**	**18**	**—**	**50**

As at 31 December 2018

PRC Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	16.52%	29.09%	44.90%	66.71%	100%	100%	59.36%
Gross carrying amount	24,263	8,257	11,363	8,543	6,368	27,864	86,658
Expected credit losses	4,009	2,402	5,102	5,699	6,368	27,864	51,444

HK Customers (HK$'000)

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Credit impaired	Total
Expected credit loss rate	1.91%	6.81%	41.61%	100%	100%	100%	12.73%
Gross carrying amount	997	235	310	24	13	—	1,579
Expected credit losses	19	16	129	24	13	—	201

23. CONTRACT ASSETS (Continued)

Included in the Group's contract assets is an amount of HK$193,000 (2018:HK$2,924,000), after net of provision of HK$7,988,000 (2018:HK$6,275,000), with Pubang for services rendered by the Group, which is repayable on credit terms similar to those offered to the major customers of the Group.

24. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2019 HK$'000	Maximum amount outstanding during the year HK$'000	At 31 December 2018 and 1 January 2019 HK$'000	Maximum amount outstanding during the prior year HK$'000	At 1 January 2018 HK$'000	Security held
Mr. Qiu Bin	**2,233**	2,233	—	1,194	—	None
Mr. Yang Liu	**2,790**	2,790	—	—	—	None
Mr. Tian Ming	**—**	2,790	—	—	—	None

The loans granted to directors bear interest at 4% per annum and are repayable on demand.

25. CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**53,882**	85,987

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

	2019		2018	
	Original currency in'000	HK$ equivalent in'000	Original currency in'000	HK$ equivalent in'000
Cash and bank balances:				
Renminbi ("RMB")	**16,539**	**18,463**	34,177	38,901
Euro	**209**	**1,820**	130	1,175
USD Dollar	**27**	**212**	228	1,770
Japanese Yen	**9,680**	**693**	—	—

25. CASH AND BANK BALANCES (Continued)

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

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**18,941**	8,345
Over 1 year but within 2 years	**2,925**	1,343
Over 2 years but within 3 years	**295**	648
Over 3 years	**85**	547
	22,246	10,883

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 nil (2018: HK$1,083,000) and an amount due to an associate of nil (2018: HK$78,000).

27. OTHER PAYABLES AND ACCRUALS

	Notes	2019 HK$'000	2018 HK$'000
Current:			
Contract liabilities	(a)	**58,469**	31,968
Other payables and accurals			
Other payables	(b)	**22,726**	23,265
Interest payables		**8,458**	2,426
Accruals		**700**	2,249
Due to an associate (note 43)	(c)	**319**	—
		32,203	27,940
Total		**90,672**	59,908

Notes:

(a) Details of contract liabilities as at 31 December 2019 and 2018 are as follows:

	2019 HK$'000	2018 HK$'000
Gross amount due to customers for construction work	**54,981**	30,046
Short-term advances received from customers		
Landscape design services	**—**	1,894
Catering	**16**	—
Graphene business	**3,237**	—
Management service	**235**	28
Total contract liabilities	**58,469**	31,968

Contract liabilities include short-term advances received. The increase in contract liabilities in 2019 was mainly due to the increase in gross amount due to customers for construction work in relation to the provision of landscape design services at the end of the year.

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

(c) The amounts due to an associate are unsecured, interest-free and repayable on demand.

28. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019		31 December 2018	
	Present value of the minimum lease payment HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payment HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payment HK$'000	Total minimum lease payments HK$'000
Within 1 year	**13,718**	**19,304**	10,365	11,284	—	—
After 1 year but within 2 years	**8,907**	**13,902**	8,706	9,191	—	—
After 2 years but within 5 years	**13,389**	**26,267**	8,150	8,588	—	—
After 5 years	**42,767**	**63,367**	721	734	—	—
	78,781	**122,840**	27,942	29,797	—	—
Less: total future lease expense		**(44,059)**		(1,855)		—
Present value of lease liabilities		**78,781**		27,942		—

29. INTEREST-BEARING OTHER BORROWINGS

		31 December 2019		
	Notes	**Effective interest rate (%)**	**Maturity**	**HK$'000**
Current				
Other borrowing – unsecured	(a)	**18-24**	**2020**	**17,000**
Other borrowing – unsecured	(a)	**9.6**	**2020**	**7,808**
Other borrowing – unsecured	(a)	**Free**	**2020**	**12,571**
Other borrowing – unsecured	(a)	**4.75**	**2020**	**2,188**
Current portion of corporate bonds – unsecured	(b)	**9.13**	**2020**	**55,352**
				94,919
Non-current				
Corporate bonds – unsecured	(b)	**9-10.04**	**2021**	**140,570**
Other borrowing – unsecured	(a)	**Free**	**2023**	**245**
				140,815

		31 December 2018		
	Notes	Effective interest rate (%)	Maturity	HK$'000
Current				
Other borrowing – unsecured	(a)	4.75	2019	2,230
Other borrowing – unsecured	(a)	Free	2019	2,845
Current portion of corporate bonds – unsecured	(b)	9-9.13	2019	61,893
				66,968
Non-current				
Corporate bonds – unsecured	(b)	9.13	2020	40,249
Other borrowing – unsecured	(a)	Free	2023	245
				40,494

29. INTEREST-BEARING OTHER BORROWINGS (Continued)

The corporate bonds recognised in the consolidated financial statements are calculated as follows:

	HK$6% Corporate Bonds due 2019	HK$6% Corporate Bonds due 2020	HK$9% Corporate Bonds due 2019	HK$6% Corporate Bonds due 2021	HK$9% Corporate Bonds due 2021	HK$6% Corporate Bonds due 2021	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note b)	(note b)		(note c)		(note d)	
Carrying amount as at 1 January 2018	58,500	—	5,000	—	—	—	63,500
Issuance during the year	—	41,500	—	—	—	—	41,500
Transaction costs	(3,217)	(2,283)	—	—	—	—	(5,500)
Interest charged	5,120	3,386	450	—	—	—	8,956
Interest paid and interest payable included in other payables and accruals	(3,510)	(2,354)	(450)	—	—	—	(6,314)
Carrying amount as at 31 December 2018	56,893	40,249	5,000	—	—	—	102,142
Carrying amount as at 1 January 2019	**56,893**	**40,249**	**5,000**	**—**	**—**	**—**	**102,142**
Issuance during the year	**—**	**—**	**—**	**105,500**	**5,000**	**37,000**	**147,500**
Transaction costs	**—**	**—**	**—**	**(5,803)**	**—**	**(2,590)**	**(8,393)**
Repayment	**(44,500)**	**—**	**(5,000)**	**—**	**—**	**—**	**(49,500)**
Interest charged	**5,004**	**3,581**	**450**	**4,230**	**37**	**406**	**13,708**
Interest paid and interest payable included in other payables and accruals	**(3,397)**	**(2,478)**	**(450)**	**(2,896)**	**(37)**	**(277)**	**(9,535)**
Carrying amount as at 31 December 2019	**14,000**	**41,352**	**—**	**101,031**	**5,000**	**34,539**	**195,922**

29. INTEREST-BEARING OTHER BORROWINGS (Continued)

Note:

(a) The Group's all other borrowings were unsecured, of which, HK$14,759,000 (2018: HK$5,075,000) was denominated in Renminbi with duration of one year from the date issued. HK$17,000,000 (2018: HK$ nil) and HK$245,000 (2018: HK$245,000) were denominated in Hong Kong dollars, with duration of one month and denominated in Renminbi with duration of five years, respectively, from the date issued. HK$ 7,808,000 was denominated in US dollar with duration of one month from the date issued.

(b) The Group's corporate bonds were denominated in Hong Kong dollars, with duration of two years from the date subscribed.

On 28 November 2017, the Company issued HK$100,000,000 corporate bonds with a nominal value of HK$100,000,000, of which HK$58,500,000 and HK$41,500,000 were received in 2017 and 2018, respectively. The bonds carry interest at a rate of 6%, which is accumulated daily on the 365 daily basis and payable annually after the period.

(c) On 7 December 2018, the Company issued HK$110,000,000 corporate bonds with a nominal value of HK$110,000,000, of which HK$105,500,000 was received in 2019. The bonds carry interest at a rate of 6%, which is accumulated daily on the 365 daily basis and payable annually after the period.

(d) On 25 November 2019, the Company issued HK$150,000,000 corporate bonds with a nominal value of HK$150,000,000, of which HK$37,000,000 was received in 2019. The bonds carry interest at a rate of 6%, which is accumulated daily on the 365 daily basis and payable annually after the period.

(e) The effective interest rates of HK$41,500,000 6% Corporate Bonds due in 2020, HK$105,500,000 6% Corporate Bonds due in 2021 and HK$37,000,000 6% Corporate Bonds due in 2021 are 9.13%, 9.13% and 10.04%, respectively.

30. PROMISSORY NOTE

	2019 **HK$'000**	2018 HK$'000
At the beginnng of the year	**—**	—
Issuance of promissory note (note (a))	**274,552**	—
Effective interest charged (note (b))	**9,655**	—
Interest payable and included in other payables and accruals	**(2,900)**	—
At the end of the year	**281,307**	—

Note:

(a) On 7 August 2019, the Company issued 4 –year unsecured promissory note with nominal value of HK$348,080,000 demoninated in Hong Kong dollars. The interst for the promissory note is 2% per annum. The effective interest rate of the promissory note is 8.4% per annum. The fair value of the promissory note at acquisition date is estimated to be approximately HK$275 million.

(b) The promissory note is measured at amortised cost using the effective rate method with the effective rate at 8.4% per annum.

31. DEFERRED TAX

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

Deferred tax assets

	2019 HK$'000	2018 HK$'000
At 1 January	**317**	42
Effect of adoption of IFRS 9	**—**	23
Credited/(charged) to the statement of profit or loss during the year	**(128)**	226
Exchange realignment	**(4)**	26
At 31 December	**185**	317

Deferred tax liabilities

	2019 HK$'000	2018 HK$'000
At 1 January	**9,686**	13,473
Effect of adoption of IFRS 9		(186)
Credited to the statement of profit or loss during the year	**(4,988)**	(3,356)
Fair value adjustments of equity investments adjustments arising at fair value through other comprehensive income	**(46)**	(191)
Arising from acquisition of subsidiaries (note 36)	**99,366**	—
Exchange realignment	**(317)**	(54)
At 31 December	**103,701**	9,686

Deferred tax assets

	Accumulated losses HK$'000	Impairment of financial and contract assets HK$'000	Total HK$'000
At 1 January 2018	32	33	65
Credited to the statement of profit or loss	99	127	226
Exchange realignment	33	(7)	26
At 31 December 2018	**164**	**153**	**317**
At 1 January 2019	**164**	**153**	**317**
Credited to the statement of profit or loss	**(128)**	**—**	**(128)**
Exchange realignment	**(1)**	**(3)**	**(4)**
At 31 December 2019	**35**	**150**	**185**

31. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income HK$'000	Fair value adjustments from acquisition of subsidiaries HK$'000	Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2018	218	11,717	1,352	13,287
Credited to the statement of profit or loss	—	(3,311)	(45)	(3,356)
Fair value adjustments of equity investments at fair value through other comprehensive income	(191)	—	—	(191)
Exchange realignment	(4)	(50)	—	(54)
At 31 December 2018	**23**	**8,356**	**1,307**	**9,686**
At 1 January 2019	**23**	**8,356**	**1,307**	**9,686**
Credited to the statement of profit or loss	**—**	**(4,988)**	**—**	**(4,988)**
Fair value adjustments of equity investments at fair value through other comprehensive income	**(46)**	**—**	**—**	**(46)**
Arising from acquisition of subsidiaries (note 36)	**—**	**99,366**	**—**	**99,366**
Exchange realignment	**23**	**(340)**	**—**	**(317)**
At 31 December 2019	**—**	**102,394**	**1,307**	**103,701**

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.

31. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

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:

The Group has tax losses arising in Mainland China of RMB16,864,000 (2018: RMB13,897,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in Hong Kong of HK$40,273,000 (2018: HK$26,371,000) 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$112,017,000 (2018: HK$104,154,000) 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.

32. DEFINED BENEFIT OBLIGATIONS

EA Group International, Inc. ("EAM"), a former subsidiary of the group, 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 was exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

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

	2019 **HK$'000**	2018 HK$'000
At 1 January	**—**	543
Disposal of EAM	**—**	(543)
At 31 December	**—**	—

33. SHARE CAPITAL AND TREASURY SHARES

Shares

	2019 HK$'000	2018 HK$'000
Issued and fully paid 482,290,000 (2018: 434,290,000) ordinary shares	**4,823**	4,343

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 2018	422,000,000	4,220	142,742
Share options exercised (note (a))	12,290,000	123	20,463
As at 31 December 2018 and 1 January 2019	**434,290,000**	**4,343**	**163,205**
Consideration shares issued (note (b))	**48,000,000**	**480**	**192,480**
As at 31 December 2019	**482,290,000**	**4,823**	**355,685**

Note:

(a) On 2 January 2018, the grantees exercised an aggregate of 12,290,000 share options into 12,290,000 shares of the Company of HK$0.01 each for a total consideration of HK$15,609,000. The consideration received in excess of the par value of these allotted shares of approximately HK$15,486,000 was credited to the share premium account. An amount of HK$4,977,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) On 7 August 2019, the Company allotted and issued 48,000,000 new shares of the Company of HK$4.02 each for a total consideration of HK$192,960,000 for the acquisition of 100% issued share capital of Think High Global Limited. The consideration received in excess of the par value of these allotted shares of approximately HK$192,480,000 was credited to the share premium account.

33. 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 2018	(8,849,275)	(88)	(9,014)
Repurchase of ordinary shares (note (c))	(676,000)	(7)	(2,648)
As at 31 December 2018 and 1 January 2019	**(9,525,275)**	**(95)**	**(11,662)**
Repurchase of ordinary shares (note (d))	**(356,000)**	**(4)**	**(1,379)**
As at 31 December 2019	**(9,881,275)**	**(99)**	**(13,041)**

Note:

(c) On 2 October 2018, 4 October 2018, 8 October 2018, 9 October 2018, 21 November 2018, 23 November 2018, 26 November 2018, the Company repurchased a total of 676,000 ordinary shares of the Company of HK$0.01 each at a total consideration of HK$2,655,000. The consideration paid in excess of the par value of these repurchased shares of approximately HK$2,648,000 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.

(d) On 19 July 2019, the Company repurchased a total of 356,000 ordinary shares of the Company of HK$0.01 each at a total consideration of HK$1,384,000. The consideration paid in excess of the par value of these repurchased shares of approximately HK1,380,000 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.

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.

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.

33. SHARE CAPITAL AND TREASURY SHARES (Continued)

Share award scheme (Continued)

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.

34. 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, the 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, the 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.

34. SHARE OPTION SCHEME (Continued)

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

	2019		2018	
	Weighted average exercise price HK$ per share	**Weighted average Number of options HK$'000**	exercise price HK$ per share	Number of options HK$'000
At 1 January	—	—	1.27	12,290
Granted during the year	—	—	—	—
Exercised during the year	—	—	1.27	(12,290)
At 31 December	—	—	—	—

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2018 was HK$3.49 per share for one half and HK$4.5 per share for the other half.

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

2018

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		

* 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.

34. 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. No share option expense was recognized in the statement of profit or loss in 2018 and 2019.

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 no share options outstanding under the Share Option Scheme.

35. 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 94 to 95 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 Accounting 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.

36. BUSINESS COMBINATION

On 7 August 2019, the Group acquired a 100% interest in Think High Global Limited and its subsidiaries ("Think High Global Group") from an independent third party ("Vendor"). Think High Global Group is engaged in the manufacture and sale of graphene products (the "Graphene Business"). The acquisition was made as part of the Group's strategy to enter the graphene industry. The purchase consideration for the acquisition is as follows:

	HK$'000
Cash consideration paid	210,000
Consideration shares	192,960
Promissory note	274,552
Consideration transferred	677,512

As part of the consideration for the acquisition of Think High Global Group, 48 million ordinary shares of the Company with par value of HK$4.02 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$192,960,000.

The promissory note with principle value of HK$348,080,000 and coupon rate of 2% per annum was issued by the Company as settlement for part of the consideration. The fair value of the promissory note is estimated to be approximately HK$274,552,000, which represents the present value of the future cash outflows under the promissory note over 4 years after the issue date, which are discounted using a discount rate of 8.4%.

Acquisition-related costs amounting to HK$3,679,000 were excluded from the consideration transferred and were recognised as an expense in 2018, within the administrative expenses line item in the consolidated statement of profit or loss.

36. BUSINESS COMBINATION (Continued)

The fair value of the identifiable assets and liabilities of Think High Global Group as at the date of acquisition were as follows:

Fair value recognised on acquisition

	HK$'000
Property, plant and equipment	4,713
Right-of-use assets	55,019
Intangible assets	662,444
Inventories	23,762
Trade receivables	43,574
Other receivables and prepayment	22,516
Trade payables	(50,707)
Other payables and accrued expenses	(2,941)
Contract liabilities	(6,238)
Other borrowing	(21,700)
Leased liabilities	(55,503)
Deferred tax liabilities	(99,366)
Total identified net assets at fair value	575,573
Goodwill on acquisition	101,939
	677,512
Satisfied by	
Cash consideration paid and payable	210,000
Consideration shares allotted and issued	192,960
Promissory note issued	274,552
	677,512

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

	HK$'000
Cash consideration payable	210,000
Consideration withheld for tax obligation	(86,500)
Net cash paid	123,500
Prepaid consideration to acquisition	(50,000)
Cash and bank balance acquired	—
Net outflow of cash and cash equivalents included in cash flows used in investing activities	73,500

36. BUSINESS COMBINATION (Continued)

Fair value recognised on acquisition (Continued)

Since the acquisition, Think High Global Group contributed HK$123,474,000 to the Group's revenue and HK$5,229,000, which is after deduction of amortisation of other intangible assets of approximately HK$18,345,000 and less reversal of deferred tax of approximately HK$2,736,000 to the consolidated profit or loss for the year ended 31 December 2019.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been HK$451,017,000 and loss for the year of the Group would have been HK$40,443,000.

The fair values of intangible assets as at the date of acquisition amounted to HK$662,443,730, which consist of patents, trademarks and customer relationships.

The fair values of trade receivables and other receivables as at the date of acquisition amounted to HK$43,574,000 and HK$22,516,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$43,574,000 and HK$22,516,000, respectively, of which none was expected to be uncollectible.

On 13 November 2019, the Group and the vendor entered into a second supplemental agreement to amend certain terms and conditions relating to the profit guarantee and the promissory note. According to the supplemental agreement, the guaranteed profit after taxation of Think High Global Group should not be less than HK$14,095,000, HK$35,000,000, HK$35,000,000 and HK$20,905,000 for the post-acquisition period ended 31 December 2019, year ending 31 December 2020, 31 December 2021 and period ending 6 August 2022, respectively. In the event of profit guarantee cannot be met, the shortfall amount will be set off against the principal amount of the promissory note. Details of the calculation of the compensation are set out in the Company's announcement dated 13 November 2019. The profit after tax of Think High Global Group for the period ended in December 2019 was HK$20,838,000 which exceeds the stipulated amount of profit guarantee for the period. As at acquisition date and 31 December 2019, the directors of the Company determined that the fair value of the profit guarantee was Nil, as the guarantee profit for the post-acquisition period ended 31 December 2019 had already been met and the profit forecast for the Graphene Business for each of two years ending 31 December 2020 and 2021 and the period ending 6 August 2022 indicate that the above guaranteed profits can be achieved, and based on the valuations performed by an independent professional valuer, by using a probabilistic model on the projected net profit after taxation.

37. TRANSACTION WITH NON-CONTROLLING INTERESTS

In September 2019, the Group acquired 19% equity interest of Jingxiong by acquiring 41% equity interest of Kouxiong from non-controlling interests at a total cash considerstion of HK$138,000. The Group's interests in Jingxiong and Kouxiong were increased from 81% to 100% and from 59% to 100%, respectively.

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

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

	2019	2018
Percentage of equity interest held by non-controlling interests		
Wenlvge	**49%**	49%
Thai Gallery	**49%**	49%

	2019 HK$'000	2018 HK$'000
Loss for the year allocated to non-controlling interests:		
Wenlvge	**(3,043)**	(9,445)
Thai Gallery	**(4,539)**	(794)
Accumulated balance of non-controlling interests at the reporting date:		
Wenlvge	**(4,396)**	(1,428)
Thai Gallery	**5,646**	10,242

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

	2019	
	Wenlvge **HK$'000**	**Thai Gallery** **HK$'000**
Revenue	**1,381**	**32,273**
Total expenses	**(7,592)**	**(41,536)**
Loss for the year	**(6,211)**	**(9,263)**
Other comprehensive profit/(loss) for the year	**154**	**(116)**
Total comprehensive loss for the year	**(6,057)**	**(9,379)**
Current assets	**42**	**14,882**
Non-current assets	**—**	**36,558**
Current liabilities	**7,862**	**26,370**
Non-current liabilities	**1,151**	**13,547**
Net cash flows from operating activities	**13**	**6,984**
Net cash flows used in investing activities	**—**	**(3,100)**
Net cash flows used in financing activities	**—**	**(5,449)**
Net increase/(decrease) in cash and cash equivalents	**13**	**(1,565)**

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

	2018	
	Wenlvge HK$'000	Thai Gallery HK$'000
Revenue	11,560	26,613
Total expenses	(30,835)	(28,234)
Loss for the year	(19,275)	(1,621)
Other comprehensive loss for the year	(76)	(146)
Total comprehensive loss for the year	(19,351)	(1,767)
Current assets	1,647	13,623
Non-current assets	4,694	41,924
Current liabilities	8,082	27,216
Non-current liabilities	1,173	7,429
Net cash flows from operating activities	3,923	9,882
Net cash flows used in investing activities	(3,953)	(10,312)
Net cash flows from financing activities	—	2,570
Net increase/(decrease) in cash and cash equivalents	(30)	2,140

39. DISPOSAL OF SUBSIDIARIES

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 was completed on 23 January 2018. On 27 September 2018, the company has decided to dispose the investment in Earthasia (HK) Ltd ("EAHK"). The disposal was completed on 27 September 2018.

The major classes of net assets are as follows:

	2018	
	EAHK	EAM
	HK$'000	HK$'000
Net assets disposed of:		
Property and equipment	—	64
Goodwill	—	3,111
Deferred tax assets	—	2
Cash and bank balances	—	352
Trade receivables	—	4
Prepayments and other receivables	—	209
Impairment of a disposal group classified as held for sale	—	(2,425)
Trade payables	—	(19)
Accruals and other payables	(50)	(132)
Tax payable	—	(434)
Retirement benefit obligations	—	(576)
Non-controlling interests	—	—
	(50)	156
Gain on disposal of subsidiaries	96	—
	46	156
Satisfied by:		
Cash	46	156

39. DISPOSAL OF SUBSIDIARIES (Continued)

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

	2018	
	EAHK HK$'000	EAM HK$'000
Cash consideration	46	156
Cash and bank balances disposed of	—	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	46	156

The Group disposed the investment of EA Group International, Inc. with the total consideration HK$156,000, and the accumulated exchanged fluctuation reserve of HK$236,000 was been transferred to retained profit.

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	2019		
	Other borrowings and promissory note HK$'000	**Other payables HK$'000**	**Lease liabilities HK$'000**
At 31 December 2018	**107,462**	**2,426**	**—**
Changes from financing cash flows	**95,560**	**—**	**(15,271)**
Adoption of IFRS16 at 1 January 2019	**—**	**—**	**27,942**
Acquisition of a subsidiary	**296,252**	**—**	**55,503**
Addition of lease liabilities	**—**	**—**	**7,933**
Exchange realignment	**(195)**	**(9)**	**(742)**
Interest expense	**17,962**	**6,041**	**3,416**
At 31 December 2019	**517,041**	**8,458**	**78,781**

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	2018		
	Other borrowings and promissory note HK$'000	Other payables HK$'000	Lease liabilities HK$'000
At 1 January 2018	63,500	5,626	—
Changes from financing cash flows	37,575	—	—
Exercise of share option	—	(5,626)	—
Exchange realignment	(215)	—	—
Interest expense	6,602	2,426	—
At 31 December 2018	107,462	2,426	—

41. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2018 and 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**337**	15,195
In the second to fifth years, inclusive	**—**	24,936
	337	40,131

42. COMMITMENTS

The Group had no material capital commitment as at 31 December 2018 and 2019.

43. 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	**2019 HK$'000**	2018 HK$'000
Contract revenue from Pubang	(i)	**3,032**	4,563
Purchases of goods from Teddy	(ii)	**644**	357
Lease payment to directors:	(iii)		
Andross Chan		**463**	484
Ming Tian		**194**	213
Loans to			
Directors	(vi)	**5,104**	1,186
Teddy	(iv)	**1,075**	2,936
大連鵬亞國貿易有限公司 ("Dalian Trading")	(vii)	**14,914**	4,151
EA Trading	(v)	**54,000**	56,825
Repayment of loan from			
Directors	(vi)	**—**	1,186
Teddy	(iv)	**—**	3,469
大連鵬亞國貿易有限公司 ("Dalian Trading")	(vii)	**12,646**	4,151
EA Trading	(v)	**49,784**	56,825
Interest income from			
Directors	(vi)	**60**	8
Teddy	(iv)	**—**	172
大連鵬亞國貿易有限公司 ("Dalian Trading")	(vii)	**441**	100
EA Trading	(v)	**1,497**	1,697
Disposal of subsidiaries to:			
EA Trading	(vii)	**—**	50
Payment of expenses on behalf of:			
Teddy		**6**	52
EA Trading		**—**	48

43. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) The Company's subsidiary, Earthasia (Shanghai) Co., Ltd., entered into a framework sale agreement dated 30 July 2014 with Pubang, pursuant to which the Group has agreed that (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) all or part of its landscape projects that require landscape architecture services; and (ii) refer to Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) Co., Ltd. (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery); and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture. The Group's contract revenue derived from Pubang for the year ended 31 December 2019 amounted to HK$3,032,000 (2018: HK$4,563,000). The Group's subcontracting and referral fees to Pubang for the year ended 31 December 2019 were HK$nil (2018: HK$nil) and HK$nil (2018: HK$nil), respectively. On 17 December 2019, Earthasia (Shanghai) and Pubang entered into a renewed cooperation agreement.

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

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

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

(iv) The Group granted a short-term interest free loan to Teddy, the amount was fully paid in 2018. On 12 December 2017, the group entered into a loan agreement in aggregate of RMB2,475,000 with Teddy Friend, an associate of the group, to support its business operation with a one-year term which were unsecured and bore interest at 6.5% per annum. The contract stated that if the actual lending day did not conform to the loan contract, the actual borrowing date would prevail, and the actual borrowing date started from 2 January 2018. The principal and interests were fully paid during 2018.

On 20 November 2018, the Group entered into a loan agreement of RMB2,500,000 with Teddy, an associate of the group, to support its business operation with one year term which were unsecured and bore interest at 8% per annum. The loan amount of RMB948,000 was paid in 2019. The contract stated that if the actual lending day and loan amount did not conform to the loan contract, the actual borrowing date would prevail. The outstanding balance of the loan was RMB948,000 as at 31 December 2019.

(v) The Group granted a revolving loan in aggregate of HK$54,000,000 (2018: HK$56,825,000) during the year to EA Trading, a joint venture of the Group, to support its business operation with a one-year term which was unsecured and bore interest at 12% per annum (twelve months ended 31 December 2018: 12%). The revolving loan at all times with a balance did not exceed HK$50,000,000. The outstanding balance of the loan was HK$4,216,000 as at 31 December 2019 (2018: HK$nil).

On 25 June 2019, the Group entered into a renewal agreement with EA Trading to renew the existing revolving loan facility at the same cap amount of HK$50,000,000 at a same interest rate of 12% per annum for a period from 25 June 2019 to 31 December 2021.

43. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(vi) The Group granted a two-month-term loan in aggregate of RMB1,000,000 to a director, Mr. Qiu Bin. The interest rate was 4% per annum. The contract stated that if the actual lending day did not conform to the loan contract, the actual borrowing date would prevail. And the actual borrowing date started from 4 April 2018 and ended at 28 June 2018. The principal and interests were fully received at the maturity of the loan agreement.

On 30 April 2019, the Group granted a one-month-term loan in aggregate of RMB2,000,000 to a director, Mr. Yang Liu. The interest rate was 4% per annum. On 29 May 2019, 29 August 2019 and 31 December 2019, the Group and Mr. Yang Liu entered into supplemental agreements to extend the maturity date to 29 August 2019, 31 December 2019 and 31 May 2020, respectively. At the end of the 2019, the outstanding principals was RMB2,000,000 (2018: RMB nil).

On 17 May 2019, the Group granted a three-month-term loan in aggregate of RMB2,500,000 to a director, Mr. Tian Ming. The interest rate was 4% per annum. On 16 August 2019, the Group and Mr. Tian Ming entered into a supplemental agreement to extend the maturity date to 16 December 2019.

On 16 December 2019, the Group entered into a liability transfer agreement with Mr. Tian Ming and other two directors, Mr. Qiu Bin and Mr. Yang Liu. According to the agreement, Mr. Qiu Bin and Mr. Yang Liu agreed to undertake the loan liabilities of RMB2,000,000 and RMB500,000 due to Mr. Tian Ming, respectively. The interest rate was 4% per annum for a period from 16 June 2019 to 29 February 2020.

(vii) The Group entered into the loan agreements with Dalian Trading during 2019, and the total principals amounted to RMB13,150,000 at 12% interest rate per annum (2018: RMB3,500,000 with RMB1,500,000 at 12% and RMB2,000,000 at 8% interest rate per annum). At the end of the 2019, the outstanding principals was RMB2,000,000 (2018: RMB nil)

(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, 23 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 HK$nil (2018: HK$3,000) and an associate of HK$nil (2018: HK$48,000), 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$61,000 (2018: HK$85,000), 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$nil (2018: HK$nil) and an associate of HK$319,000 (2018: HK$nil).

43. RELATED PARTY TRANSACTIONS (Continued)

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

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**14,142**	14,627
Pension scheme contributions	**162**	137
Total compensation paid to key management personnel	**14,304**	14,764

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

44. REMUNERATION OF SENIOR MANAGEMENT

Remuneration of the senior management of the Group is as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,413**	2,434
Pension scheme contributions	**54**	38
Total compensation paid to senior management personnel	**2,467**	2,472

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

45. 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:

2019

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition HK$'000	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income equity investments HK$'000	HK$'000
Equity investments at fair value through other comprehensive income	—	—	870	870
Trade and bills receivables	—	108,110	—	108,110
Financial assets included in prepayments, other receivables and other assets	—	35,142	—	35,142
Financial assets at fair value through profit or loss	1,194	—	—	1,194
Cash and bank balances	—	53,882	—	53,882
	1,194	197,134	870	199,198

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	22,246
Financial liabilities included in other payables and accruals	32,203
Interest-bearing other borrowings	235,734
Promissory note	281,307
Lease liabilities	78,781
Consideration payable	86,500
Dividends payable	4
	736,775

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2018

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition HK$'000	Financial assets at amortised cost HK$'000	Financial assets at fair value through other comprehensive income equity investments HK$'000	HK$'000
Equity investments at fair value through other comprehensive income	—	—	2,885	2,885
Trade and bills receivables	—	50,164	—	50,164
Financial assets included in prepayments, other receivables and other assets	—	14,202	—	14,202
Financial assets at fair value through profit or loss	4,122	—	—	4,122
Cash and bank balances	—	85,987	—	85,987
	4,122	150,353	2,885	157,360

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	10,883
Financial liabilities included in other payables and accruals	27,940
Interest-bearing other borrowings	107,462
Dividends payable	4
	146,289

46. 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**870**	2,885	**870**	2,885
Financial assets at fair value through profit or loss	**1,194**	4,122	**1,194**	4,122
Contingent assets	**—**	—	**—**	—
	2,064	7,007	**2,064**	7,007

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Interest-bearing other borrowings	**235,734**	107,462	**237,831**	107,823
Promissory note	**281,307**	—	**299,834**	—
Lease liabilities	**78,781**	—	**78,781**	—
	595,822	107,462	**616,446**	107,823

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, 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.

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

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.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market- based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of unlisted equity investments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Unlisted equity investments	Valuation multiples	Average P/E multiple of peers	2019: 1.99 to 9.21 (2018: 2.3 to 16.9)	1% increase/(decrease) in multiple would have no material impact on the fair value
		Discount for lack of marketability	2019: 20% (2018: 20%)	1% increase/(decrease) in discount would have no material impact on the fair value

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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

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 options. The call option on non-controlling interests' value is estimated by using a binomial model. The Company's management decides to appoint which external valuer to be responsible for the external valuations of the call option on non-controlling interests. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Below is a summary of significant unobservable inputs to the valuation of the call options together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Call option on non-controlling interests over Thai Gallery HK	Binomial model	Business value	2019: HK$25,056,000 (2018: HK$34,350,000)	1% increase/(decrease) in business value would have no material impact on the fair value
		Risk free rate	2019: 3.14% (2018: 3.31%)	1% increase/(decrease) in risk free rate would have no material impact on the fair value
		Volatility	2019: 43.36% (2018: 45.69%)	1% increase/(decrease) in volatility would have no material impact on the fair value
Call option on non-controlling interests over Wenlvge	Binomial model	Business value	2019: HK$nil (2018: HK$3,021,000)	1% increase/(decrease) in business value would have no material impact on the fair value
		Risk free rate	2019: nil (2018: 3.31%)	1% increase/(decrease) in risk free rate would have no material impact on the fair value
		Volatility	2019: nil (2018: 45.69%)	1% increase/(decrease) in volatility would have no material impact on the impact on the fair value

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments designated at fair value through other comprehensive income	**—**	**—**	**870**	**870**
Financial assets at fair value through profit or loss	**—**	**—**	**1,194**	**1,194**
	—	**—**	**2,064**	**2,064**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	—	—	2,885	2,885
Financial assets at fair value through profit or loss	—	—	4,122	4,122
	—	—	7,007	7,007

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

Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2019	2018
	HK$'000	HK$'000
Equity investments at fair value through other comprehensive income/available-for-sale investments – unlisted:		
At 1 January	**2,885**	2,881
Effect of adoption of IFRS 9	**—**	1,451
At 1 January (restated)	**2,885**	4,332
Total losses recognised in other comprehensive income	**(1,992)**	(1,272)
Exchange realignment	**(23)**	(175)
At 31 December	**870**	2,885

	2019	2018
	HK$'000	HK$'000
Financial assets at fair value through profit or loss:	**4,122**	5,580
At 1 January		
Total losses recognised in the statement of profit or loss Included in other income	**(2,926)**	(1,409)
Exchange realignment	**(2)**	(49)
At 31 December	**1,194**	4,122

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Other borrowings	—	—	**237,831**	**237,831**
Promissory note	—	—	**299,834**	**299,834**
Lease liabilities	—	—	**78,781**	**78,781**
	—	—	**616,446**	**616,446**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Other borrowings	—	—	107,823	107,823

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist mainly of equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, cash and bank balances, dividends payable, lease liabilities, promissory note, 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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, EUR or JPY exchange rate, with all other variables held constant, of the Group's loss before tax.

	2019	
	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**	**273**
If the Hong Kong dollar strengthens against the RMB	**(5)**	**(273)**
If the RMB weakens against the USD	**5**	**(1,390)**
If the RMB strengthens against the USD	**(5)**	**1,390**
If the Hong Kong dollar weakens against the USD	**5**	**(390)**
If the Hong Kong dollar strengthens against the USD	**(5)**	**390**

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	2018	
	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	516
If the Hong Kong dollar strengthens against the RMB	(5)	(516)
If the RMB weakens against the USD	5	(1,376)
If the RMB strengthens against the USD	(5)	1,376
If the Hong Kong dollar weakens against the EUR	5	(58)
If the Hong Kong dollar strengthens against the EUR	(5)	58

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.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2019 (Continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Contract assets*	—	—	—	47,391	47,391
Trade receivables*	—	—	—	108,110	108,110
Financial assets included in prepayments, other receivables and other assets					
– Normal**	35,142	—	—	—	35,142
– Doubtful**	—	—	—	—	—
Cash and cash equivalents					
– Not yet past due	53,882	—	—	—	53,882
	89,024	—	—	155,501	244,525

Maximum exposure and year-end staging as at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Contract assets*	—	—	—	36,592	36,592
Trade receivables*	—	—	—	50,164	50,164
Financial assets included in prepayments, other receivables and other assets					
– Normal**	14,202	—	—	—	14,202
– Doubtful**	—	—	—	—	—
Cash and cash equivalents					
– Not yet past due	85,987	—	—	—	85,987
	100,189	—	—	86,756	186,945

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 23 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period 15.2% and 45.6% of the total trade receivables was due from the Group's largest customers and the five largest customers respectively.

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.

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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.

Group

	31 December 2019					
	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**
Trade payables	**22,246**	**—**	**—**	**—**	**—**	**22,246**
Other payables and accruals	**35,691**	**—**	**—**	**—**	**—**	**35,691**
Interest-bearing other borrowings	**14,012**	**71,975**	**22,472**	**149,065**	**—**	**257,524**
Promissory note	**—**	**—**	**6,962**	**368,964**	**—**	**375,926**
Lease liabilities	**—**	**5,087**	**14,217**	**40,169**	**63,367**	**122,840**
Consideration payable	**—**	**—**	**—**	**86,500**	**—**	**86,500**
Dividends payable	**4**	**—**	**—**	**—**	**—**	**4**
	71,953	**77,062**	**43,651**	**644,698**	**63,367**	**900,731**

	31 December 2018					
	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
Trade payables	10,883	—	—	—	—	10,883
Other payables and accruals	27,940	—	—	—	—	27,940
Dividends payable	4	—	—	—	—	4
Interest-bearing other borrowings	—	2,351	72,795	44,235	—	119,381
	38,827	2,351	72,795	44,235	—	158,208

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

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

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

	2019 **HK$'000**	2018 HK$'000
Interest-bearing other borrowings (note 29)	**235,734**	107,462
Promissory note	**281,307**	—
	517,041	107,462
Total equity	**221,147**	100,417
Gearing ratio	**234%**	107%

48. COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

49. 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:

	2019 **HK$'000**	2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**17,526**	16,866
CURRENT ASSETS		
Prepayments, other receivables and other assets	**4,404**	463
Amounts due from subsidiaries	**688,787**	169,692
Cash and bank balances	**27,558**	37,717
Total current assets	**720,749**	207,872
CURRENT LIABILITIES		
Other payables and accruals	**16,077**	2,628
Interest-bearing other borrowings	**80,160**	61,893
Dividend payable	**4**	4
Total current liabilities	**96,241**	64,525
NET CURRENT ASSETS	**624,508**	143,347
TOTAL ASSETS LESS CURRENT LIABILITIES	**642,034**	160,213
NON-CURRENT LIABILITIES		
Interest-bearing other borrowings	**140,570**	40,249
Promissory note	**281,307**	—
Total non-current liabilities	**421,877**	40,249
NET ASSETS	**220,157**	119,964
EQUITY		
Share capital	**4,823**	4,343
Treasury shares	**(99)**	(95)
Other reserves (note)	**215,433**	115,716
TOTAL EQUITY	**220,157**	119,964

Lau Hing Tat Patrick
Director

Chan Yick Yan Andross
Director

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

Note:

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

	Share premium account HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Capital reserve HK$'000	Total HK$'000
Balance at 1 January 2018	133,728	4,977	(30,076)	5,854	114,483
Total comprehensive loss for the year	—	—	(11,605)	—	(11,605)
Issue of shares	15,486	—	—	—	15,486
Share repurchased	(2,648)	—	—	—	(2,648)
Equity-settled share option arrangements	4,977	(4,977)	—	—	—
At 31 December 2018 and 1 January 2019	**151,543**	**—**	**(41,681)**	**5,854**	**115,716**
Total comprehensive loss for the year	**—**	**—**	**(91,383)**	**—**	**(91,383)**
Issue of shares	**192,480**	**—**	**—**	**—**	**192,480**
Share repurchased	**(1,380)**	**—**	**—**	**—**	**(1,380)**
Equity-settled share option arrangements	**—**	**—**	**—**	**—**	**—**
At 31 December 2019	**342,643**	**—**	**(133,064)**	**5,854**	**215,433**

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.

50. EVENT AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus disease (COVID-19) epidemic in early 2020 has led to a series of precautionary and control measures implemented across the globe and caused distributions to many industries, including the catering industry. However, revenue from the catering segment only accounted for 12% of the Group's total revenue for the year ended 31 December 2019. Save for a restaurant in Italy where COVID-19 is not yet contained at the date of approval of the consolidated financial statements, all other catering operations have been resumed in late March 2020. The directors of the Company considered that there has been no material adverse change in the financial position of the Group as a result of the COVID-19 outbreak. It may have certain impacts on the Group's operations but the actual impacts cannot be quantified yet. The Group will pay close attention to the development of the epidemic and assess its financial impact.

As of the date of approval of the consolidated financial statements, the directors of the Company consider that there is no material uncertainty as result of COVID-19 outbreak that casts a doubt on the Group's ability to carry on its business as a going concern in the next twelve months.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 April 2020.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended December 31				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**313,941**	197,311	128,671	183,774	237,703
Cost of sales	**(167,582)**	(83,159)	(83,674)	(94,010)	(110,636)
Gross Profit	**146,359**	114,152	44,997	89,764	127,067
Other income and gains	**12,023**	16,289	11,878	11,298	8,564
Selling and marketing expenses	**(27,433)**	(33,272)	(12,685)	(8,509)	(7,299)
Administrative expenses	**(142,250)**	(100,850)	(81,462)	(85,220)	(82,156)
Impairment losses on financial and contract assets	**(6,617)**	(14,104)	–	–	–
Finance costs	**(27,419)**	(9,028)	(268)	(48)	(457)
Other expenses	**(18,393)**	(20,587)	(11,488)	(15,136)	(10,863)
Share of losses of joint ventures	**–**	(3)	(1)	(702)	(1,011)
Share of losses of associates	**(1,072)**	(1,684)	(2,462)	(1,742)	–
(Loss)/profit before tax	**(64,802)**	(49,087)	(51,491)	(10,295)	33,845
Income tax expense	**(602)**	2,104	(6,243)	(583)	(11,491)
(Loss)/profit for the period	**(65,404)**	(46,983)	(57,734)	(10,878)	22,354
Attributable to:					
Owners of the Company	**(57,082)**	(36,039)	(57,313)	(9,365)	23,527
Non-controlling interests	**(8,322)**	(10,944)	(421)	(1,513)	(1,173)
Other comprehensive (loss)/ income	**(5,442)**	(3,494)	5,725	(7,616)	(7,813)
Total comprehensive (loss)/ income for the period	**(70,846)**	(50,477)	(52,009)	(18,494)	14,541
Attributable to:					
Owners of the Company	**(62,742)**	(39,463)	(51,593)	(17,011)	15,781
Non-controlling interests	**(8,104)**	(11,014)	(416)	(1,483)	(1,240)
ASSETS AND LIABILITIES					
Non-current assets	**868,973**	119,553	82,826	33,179	27,609
Current assets	**282,558**	194,614	226,321	201,205	296,300
Total assets	**1,151,531**	314,167	309,147	234,384	323,909
Non-current liabilities	**677,386**	50,180	77,324	3,924	5,296
Current liabilities	**252,998**	163,570	89,981	59,271	112,119
Total liabilities	**930,384**	213,750	167,305	63,195	117,415
Net Assets	**221,147**	100,417	141,842	171,189	206,494
Total equity attributable to owners of the Company	**220,691**	91,639	122,175	171,197	205,955

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