



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

2020 Interim Report



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FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Results	For the six months ended 30 June		
	2020	2019	Change
	HK\$'000	HK\$'000	
Revenue	155,173	92,013	+68.6%
Graphene business	84,507	—	+84,507
Landscape architecture	64,605	76,225	-15.2%
Catering	6,061	15,788	-61.6%
Adjusted EBITDA	32,052	4,148	+672.7%
Graphene business	19,149	—	+19,149
Landscape architecture	10,556	6,178	+70.9%
Catering	2,347	(2,030)	+215.6%
Loss before tax	(63,879)	(29,682)	+115.2%
Loss attributable to owners of the parent	(49,146)	(27,272)	+80.2%
	HK cents	HK cents	
Basic loss per share attributable to ordinary equity holders of the parent	(10.19)	(6.42)	+58.7%

Results	At 30 June	At 31 December	Change
	2020	2019	
	HK\$'000	HK\$'000	
Total assets	1,068,660	1,151,531	-7.2%
Net assets	147,975	221,147	-33.1%
Shareholder's equity	155,762	220,691	-29.4%
Cash and bank balances	27,881	53,882	-48.3%
Debt	514,324	517,041	-0.5%

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 (retired on 15 June 2020)
Mr. Wang Yuncai
Mr. Liu Kwong Sang (appointed on 15 June 2020)
Mr. Tang Zhaodong (appointed on 15 June 2020)
Mr. Chan Anthony Kaikwong (appointed on 15 June 2020)

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. Liu Kwong Sang (*Chairman*)
Ms. Tam Ip Fong Sin
Mr. Wang Yuncai
Mr. Ma Lida

REMUNERATION COMMITTEE

Ms. Tam Ip Fong Sin (*Chairlady*)
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 Hongkong and Shanghai Banking

PRINCIPAL SHARE REGISTRAR OFFICE

Ocorian Trust (Cayman) Ltd.
(formerly named "Esteria 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 Bay
Hong Kong

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	3	155,173	92,013
Cost of sales		(90,264)	(38,489)
GROSS PROFIT		64,909	53,524
Other income and gains	5	6,921	3,902
Selling and marketing expenses		(8,017)	(12,309)
Administrative expenses		(74,298)	(60,889)
Impairment loss on financial and contract assets		(6,394)	(2,530)
Other expenses		(21,834)	(4,824)
Finance costs	6	(24,978)	(5,809)
Share of losses of associates		(188)	(747)
LOSS BEFORE TAX	7	(63,879)	(29,682)
Income tax credit/(expense)	8	5,775	(145)
LOSS FOR THE PERIOD		(58,104)	(29,827)
Attributable to:			
Owners of the parent		(49,146)	(27,272)
Non-controlling interests		(8,958)	(2,555)
		(58,104)	(29,827)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For loss for the period		HK(10.19) cents	HK(6.42) cents
Diluted			
– For loss for the period		HK(10.19) cents	HK(6.42) cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(58,104)	(29,827)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(15,722)	(2,055)
	(15,722)	(2,055)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(15,722)	(2,055)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(15,722)	(2,055)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(73,826)	(31,882)
Attributable to:		
Owners of the parent	(64,901)	(29,155)
Non-controlling interests	(8,925)	(2,727)
	(73,826)	(31,882)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		81,752	92,450
Goodwill		101,939	105,051
Other intangible assets		620,600	665,734
Investments in joint ventures		—	—
Investments in associates	11	1,000	1,212
Equity instruments at fair value through other comprehensive income		853	870
Prepayments and deposits		2,072	3,471
Deferred tax assets		535	185
Total non-current assets		808,751	868,973
CURRENT ASSETS			
Inventories		28,304	24,423
Trade and bills receivables	12	89,182	108,110
Prepayments, deposits and other receivables		59,539	47,283
Financial assets at fair value through profit or loss		—	1,194
Contract assets		49,276	47,391
Tax recoverable		—	275
Restricted bank deposits		5,727	—
Cash and bank balances		27,881	53,882
Total current assets		259,909	282,558
CURRENT LIABILITIES			
Trade payables	13	14,691	22,246
Other payables and accruals		49,718	32,203
Lease liabilities		10,900	13,718
Interest-bearing other borrowings	14	43,627	94,919
Contract liabilities		62,644	58,469
Tax payable		27,406	31,439
Dividend payable		4	4
Total current liabilities		208,990	252,998
NET CURRENT ASSETS		50,919	29,560
TOTAL ASSETS LESS CURRENT LIABILITIES		859,670	898,533

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Promissory note	15	289,413	281,307
Interest-bearing other borrowings	14	181,284	140,815
Lease liabilities		60,115	65,063
Consideration payable		86,500	86,500
Deferred tax liabilities		94,383	103,701
Total non-current liabilities		711,695	677,386
NET ASSETS			
147,975			
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	4,823	4,823
Treasury shares		(99)	(99)
Other reserves		151,038	215,967
		155,762	220,691
Non-controlling interests		(7,787)	456
TOTAL EQUITY		147,975	221,147

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Share capital	Treasury shares	*Share premium account	*Fair value reserve	*Capital reserve	*Reserve funds	*Exchange fluctuation reserve	*Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020											
As previously reported	4,823	(99)	342,643	(1,818)	5	10,701	(11,400)	(124,164)	220,691	456	221,147
Loss for the period	—	—	—	—	—	—	—	(49,146)	(49,146)	(8,958)	(58,104)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(15,755)	—	(15,755)	33	(15,722)
Total comprehensive loss for the period	—	—	—	—	—	—	(15,755)	(49,146)	(64,901)	(8,925)	(73,826)
Derecognition of non-controlling interests upon disposal of a subsidiary	—	—	—	—	—	—	—	—	—	682	682
Release of exchange fluctuation reserve upon disposal of a subsidiary	—	—	—	—	—	—	(28)	—	(28)	—	(28)
At 30 June 2020 (Unaudited)	4,823	(99)	342,643	(1,818)	5	10,701	(27,183)	(173,310)	155,762	(7,787)	147,975

* These reserve accounts as at 30 June 2020 comprise the consolidated reserves of HK\$151,038,000 (31 December 2019: HK\$215,967,000) in the condensed consolidated statement of financial position.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent								Total	Non- controlling interests	Total equity
	Share capital	Treasury shares	*Share premium account	*Fair value reserve	*Capital reserve	*Reserve funds	*Exchange fluctuation reserve	*Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019											
As previously reported	4,343	(95)	151,543	151	5	10,701	(7,709)	(67,300)	91,639	8,778	100,417
Loss for the period	—	—	—	—	—	—	—	(27,272)	(27,272)	(2,555)	(29,827)
Other comprehensive-loss for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(1,883)	—	(1,883)	(172)	(2,055)
Total comprehensive loss for the period	—	—	—	—	—	—	(1,883)	(27,272)	(29,155)	(2,727)	(31,882)
Transfer from retained profits	—	—	—	—	—	—	—	—	—	—	—
At 30 June 2019 (Unaudited)	4,343	(95)	151,543	151	5	10,701	(9,592)	(94,572)	62,484	6,051	68,535

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(63,879)	(29,682)
Adjustments for:		
Finance costs	24,978	5,809
Share of losses of associates	188	747
Interest income	(1,094)	(2,314)
Amortisation and depreciation	34,674	10,228
Dividend income from equity instruments at fair value through other comprehensive income	(245)	(427)
Gain on disposal of items of property, plant and equipment	(499)	—
Impairment loss of property, plant and equipment	6,530	—
Impairment loss of trade receivables	1,903	1,265
Impairment loss of contract assets	1,890	1,020
Impairment loss of intangible assets	10,844	4,757
Impairment loss of goodwill	3,278	329
Fair value loss on financial assets at fair value through profit or loss	1,182	574
Impairment loss of other receivables and other assets	2,601	245
Write-down of inventory	189	398
Exchange loss	786	90
Gain on disposal of a subsidiary	(710)	—
	22,616	(6,961)
Increase in contract assets	(4,675)	(6,305)
(Increase)/decrease in inventories	(4,579)	167
Decrease/(increase) in trade and bills receivables	15,176	(1,458)
(Increase)/decrease in prepayments, deposits and other receivables	(17,657)	41
Decrease in trade payables	(7,216)	(4,158)
Increase/(decrease) in other payables and accruals	10,062	(4,545)
Increase in contract liabilities	8,530	4,020
Cash generated from/(used in) operations	22,257	(19,199)
Interest received	13	71
Income tax received	275	126
Income tax paid	(5,660)	(1,690)
Net cash flows generated from/(used in) operating activities	16,885	(20,692)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,081	1,402
Placement of restricted bank deposits	(5,777)	—
Purchases of items of property, plant and equipment	(9,883)	(3,178)
Repayment of a loan to a joint venture	11,506	28,410
Loan advanced to joint ventures	(7,070)	(31,700)
Repayment of a loan to an associate	174	—
Loan advanced to an associate	(1,275)	—
Additions to intangible assets	(1,587)	(400)
Dividend from equity instruments at fair value through other comprehensive income	245	427
Loan to a third-party	—	(4,360)
Net cash flows used in investing activities	(12,586)	(9,399)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of corporate bonds	78,500	31,500
Repayment of corporate bonds	(55,500)	—
Corporate bond issue expense	(5,145)	(1,265)
New other borrowings	21,000	—
Repayment of other borrowing	(52,244)	(2,842)
Interest paid	(8,116)	(3,276)
Repayment of lease liabilities	(6,507)	(4,761)
Net cash flows (used in)/generated from financing activities	(28,012)	19,356
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,713)	(10,735)
Cash and cash equivalents at beginning of period	53,882	85,987
Effect of foreign exchange rate changes, net	(2,288)	(2,047)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,881	73,205

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

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 Company and its subsidiaries (collectively the “Group”) are landscape architecture services in Hong Kong and Mainland China, catering business in Mainland China and Italy, and graphene business in Mainland China.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2019. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual financial information for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The application of the above amendments to IFRSs in the Period had no significant financial effect on these financial statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

3. REVENUE

Revenue represents an appropriate proportion of contract revenue from service contracts during the period. An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Type of goods or services		
– Graphene business	84,507	—
– Landscape architecture	64,605	76,225
– Catering	6,061	15,788
Total revenue	155,173	92,013
Geographical markets		
– Hong Kong	12,477	11,276
– Mainland China	140,530	73,873
– Others	2,166	6,864
Total revenue	155,173	92,013
Timing of revenue recognition		
– Goods transferred at a point in time	88,758	13,954
– Services transferred over time	66,415	78,059
Total revenue	155,173	92,013

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. OPERATING SEGMENT INFORMATION

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

- (a) The processing and sale of graphite and graphene related products (the "Graphene business");
- (b) Landscape architecture; and
- (c) The catering business focusing on operation of restaurants.

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

Segment assets exclude deferred tax assets, 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

The following tables present revenue and profit/loss information for the Group's operating segments for the six months ended 30 June 2020 and 2019.

Six months ended 30 June 2020 (Unaudited)

	Graphene business HK\$'000	Landscape architecture HK\$'000	Catering HK\$'000	Total HK\$'000
Segment revenue				
Revenue	84,507	64,605	6,061	155,173
Segment results				
<i>Reconciliations:</i>				
Unallocated income and gains				2,007
Unallocated expenses				(11,554)
Unallocated finance costs				(21,990)
Share of losses of associates				(188)
Loss before tax				(63,879)
Adjusted EBITDA (note (i))	19,149	10,556	2,347	32,052

Six months ended 30 June 2019 (Unaudited)

	Graphene business HK\$'000	Landscape architecture HK\$'000	Catering HK\$'000	Total HK\$'000
Segment revenue				
Revenue	—	76,225	15,788	92,013
Segment results				
<i>Reconciliations:</i>				
Unallocated income and gains				657
Unallocated expenses				(9,791)
Unallocated finance costs				(5,053)
Share of losses of associates				(747)
Loss before tax				(29,682)
Adjusted EBITDA (note (i))	—	6,178	(2,030)	4,148

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019.

30 June 2020 (Unaudited)

	Graphene business HK\$'000	Landscape architecture HK\$'000	Catering HK\$'000	Total HK\$'000
Segment assets	870,231	190,148	29,999	1,090,378
<i>Reconciliations:</i>				
Elimination of inter-segment receivables				(30,536)
Unallocated assets				8,818
Total assets				1,068,660
Segment liabilities	89,827	71,390	48,688	209,905
<i>Reconciliations:</i>				
Elimination of inter-segment payables				(30,536)
Unallocated liabilities				741,316
Total liabilities				920,685

31 December 2019 (Audited)

	Graphene business HK\$'000	Landscape architecture HK\$'000	Catering HK\$'000	Total HK\$'000
Segment assets	904,806	212,767	58,854	1,176,427
<i>Reconciliations:</i>				
Elimination of inter-segment receivables				(62,346)
Unallocated assets				37,450
Total assets				1,151,531
Segment liabilities	189,975	60,561	88,934	339,470
<i>Reconciliations:</i>				
Elimination of inter-segment payables				(62,346)
Unallocated liabilities				653,260
Total liabilities				930,384

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

The following tables present other segment information for the Group's operating segments for the six months ended 30 June 2020 and 2019.

Six months ended 30 June 2020 (Unaudited)

	Graphene business HK\$'000	Landscape architecture HK\$'000	Catering HK\$'000	Total HK\$'000
Other segment information				
Share of losses of associates unallocated				188
Impairment losses recognised in the statement of profit or loss	—	3,793	23,442	27,235
Depreciation and amortisation	23,837	6,122	4,024	33,983
<i>Reconciliation:</i>				
Unallocated				691
Total				34,674
Income and gains allocated	2	4,065	847	4,914
Finance costs allocated	2,412	262	314	2,988
Fair value loss unallocated				1,182
Capital expenditure (note (ii))	8,688	1,396	1,386	11,470
<i>Reconciliation:</i>				
Unallocated				—
Total				11,470

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2019 (Unaudited)

	Graphene business HK\$'000	Landscape architecture HK\$'000	Catering HK\$'000	Total HK\$'000
Other segment information				
Share of losses of associates unallocated				747
Impairment losses recognised in the statement of profit or loss	—	2,322	5,794	8,116
Depreciation and amortisation	—	6,300	3,724	10,024
<i>Reconciliation:</i>				
Unallocated				204
Total				10,228
Income and gains allocated	—	3,044	201	3,245
Finance costs allocated	—	366	390	756
Fair value loss unallocated				574
Capital expenditure (note (ii))	—	—	936	936
<i>Reconciliation:</i>				
Unallocated				2,285
Total				3,221

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 loss of other intangible assets and property, plant and equipment, write-down of inventories to net realisable value, share of losses of associates and impairment loss/ (reversal of impairment loss) on trade receivables, contract assets.
- (ii) Capital expenditure consists of additions to property, plant and equipment and other intangible assets except for right-of-use assets.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other income		
Service income	1,375	1,077
Dividend income from equity instruments at fair value through other comprehensive income	245	427
Interest income	1,094	2,314
Government grants (note)	1,722	84
	4,436	3,902
Gains		
Gain on disposal of subsidiaries	710	—
Gain on disposal of property, plant and equipment	499	—
Others	1,276	—
	2,485	—
	6,921	3,902

Note:

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on interest-bearing other borrowings	10,540	5,023
Interest on lease liabilities	2,851	786
Interest on promissory note	11,587	—
	24,978	5,809

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of inventories	64,184	4,167
Cost of services	26,080	34,322
Cost of sales	90,264	38,489
Amortisation and depreciation	34,674	10,228
– owned assets	2,939	2,307
– right-of-use assets	8,061	5,702
– other intangible assets	23,674	2,219
Research and development costs:		
– current period expenditure	4,138	2,204
Lease payments for leases less than 12 months	867	4,422
Auditor's remuneration	322	345
Employee benefit expense (including directors and chief executive's remuneration):		
– wages and salaries	46,516	39,630
– pension scheme contributions (defined contribution scheme)	4,735	6,633
– welfare and other benefits	610	2,594
	51,861	48,857
Foreign exchange differences, net	786	90
Impairment loss of financial and contract assets		
– Impairment loss of trade receivables	1,903	1,265
– Impairment loss of contract assets	1,890	1,020
– Impairment loss of financial assets included in prepayments, deposits and other receivables	2,601	245
	6,394	2,530
Fair value loss on financial assets at fair value through profit or loss*	1,182	574
Impairment loss of goodwill*	3,278	329
Write-down of inventory to realisable value**	189	398
Impairment loss of intangible assets*	10,844	4,757
Impairment loss of property, plant and equipment*	6,530	—

* The impairment losses of property, plant and equipment, other intangible assets and goodwill, and fair value losses 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

泛亞景觀設計(上海)有限公司, a subsidiary of the Company, was granted with the High and New Technology Enterprises qualification on 23 November 2017 and was entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2017 to 31 December 2019.

前海泛亞景觀設計(深圳)有限公司, a subsidiary of the Company, is entitled to a preferential corporate income tax rate of 15% (six months ended 30 June 2019: 15%) on the estimated assessable profits as its main principal activities, namely 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碳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 period.

Other subsidiaries located in Mainland China are subject to corporate income tax at the statutory rate of 25% for the period (six months ended 30 June 2019: 25%) under the income tax rules and regulations in the People's Republic of China ("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").

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax:		
Hong Kong	295	98
Mainland China	1,792	320
Italy	115	—
	2,202	418
Deferred tax	(7,977)	(273)
Total tax (credit)/charge for the period	(5,775)	145

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

9. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend (six months ended 30 June 2019: Nil) for the six months ended 30 June 2020.

10. 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 period attributable to ordinary equity holders of the parent of HK\$49,146,000 (loss for six months ended 30 June 2019: HK\$27,272,000), and the weighted average number of ordinary shares of 482,290,000 (six months ended 30 June 2019: 424,764,725) in issue during the period.

	Number of shares	
	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	482,290,000	424,764,725

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the period ended 30 June 2020 (six months ended 30 June 2019: Nil) .

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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11. INVESTMENTS IN ASSOCIATES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Share of net assets	1,000	1,212

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			Principal activity
			Ownership interest	Voting power	Profit sharing	
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 RMB28,000,000	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.

The Group has 20% equity interest in Teddy, and but the Group accounts for Teddy as an associate as the Group still has the significant influence on the board of directors as well as the operating and financial policies of this entity.

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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11. 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:

	30 June 2020	31 December
	Teddy	Teddy
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current assets	8,619	11,269
Non-current assets	29,325	30,279
Current liabilities	(27,146)	(27,833)
Non-controlling interests	6,212	7,102
Equity attributable to the owners of the parent	4,586	6,613
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	917	1,323
Offset related party transactions	83	(111)
Carrying amount of the investment	1,000	1,212
Revenue	970	3,985
Loss for the period	(1,335)	(5,278)
Other comprehensive loss	—	—
Total comprehensive loss for the period	(1,335)	(5,278)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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12. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade and bills receivables	125,852	143,796
Impairment	(36,670)	(35,686)
	89,182	108,110

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

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 6 months	62,159	79,938
Over 6 months but within 1 year	16,798	21,320
Over 1 year but within 2 years	8,054	5,893
Over 2 years	2,171	959
	89,182	108,110

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

13. TRADE PAYABLES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 year	11,495	18,941
Over 1 year but within 2 years	2,935	2,925
Over 2 years but within 3 years	59	295
Over 3 years	202	85
	14,691	22,246

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

14. INTEREST-BEARING OTHER BORROWINGS

				30 June 2020 (Unaudited)	
	Note	Effective interest rate (%)	Maturity	HK\$'000	
Current					
Other borrowing – unsecured	(a)	18	2020	6,000	
Other borrowing – unsecured	(a)	4.75	2020	1,894	
				7,894	
Corporate bonds – unsecured		6	2021	5,000	
Corporate bonds – unsecured		9.13	2021	30,733	
				35,733	
				43,627	
Non-current					
Other borrowing – unsecured	(a)	Free	2023	245	
Corporate bonds – unsecured		9.13	2021	71,778	
Corporate bonds – unsecured		9	2021	5,000	
Corporate bonds – unsecured		10.04	2022	104,261	
				181,039	
				181,284	

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

14. INTEREST-BEARING OTHER BORROWINGS (Continued)

31 December 2019 (Audited)				
	Note	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
				39,567
Corporate bonds – unsecured		9.13	2020	55,352
				94,919
Non-current				
Other borrowing – unsecured	(a)	Free	2023	245
Corporate bonds – unsecured		9-10.04	2021	140,570
				140,815

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

14. 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\$'000 (note b)	HK\$6% Corporate Bonds due 2020 HK\$'000 (note b)	HK\$9% Corporate Bonds due 2019 HK\$'000 (note c)	HK\$6% Corporate Bonds due 2021 HK\$'000 (note d)	HK\$9% Corporate Bonds due 2021 HK\$'000 (note e)	HK\$6% Corporate Bonds due 2021 and 2022 HK\$'000 (note f)	HK\$6% Corporate Bonds due 2021 HK\$'000 (note g)	Total HK\$'000
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
Carrying amount as at								
1 January 2020	14,000	41,352	—	101,031	5,000	34,539	—	195,922
Issuance during the period	—	—	—	—	—	73,500	5,000	78,500
Transaction costs	—	—	—	—	—	(5,145)	—	(5,145)
Repayment	(14,000)	(41,500)	—	—	—	—	—	(55,500)
Interest charged	—	201	—	4,534	224	4,082	102	9,143
Interest paid and interest payable included in other payables and accruals	—	(53)	—	(3,145)	(224)	(2,624)	(102)	(6,148)
Carrying amount as at								
30 June 2020	—	—	—	102,420	5,000	104,352	5,000	216,772

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

14. INTEREST-BEARING OTHER BORROWINGS (Continued)

Note:

- (a) The Group's all other borrowings were unsecured, of which, HK\$1,894,000 (2019: HK\$14,759,000) was denominated in Renminbi with duration of one year from the date issued. HK\$6,000,000 (2019: HK\$17,000,000) and HK\$245,000 (2019: HK\$245,000) were denominated in Hong Kong dollars, with duration of two months and denominated in Renminbi with duration of five years, respectively, from the date issued. HK\$ nil (2019: HK\$7,808,000) was denominated in US dollar with duration of one month from the date issued.
- (b) 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 carried interest at a rate of 6% per annum and were repaid during the period.
- (c) On 29 September 2017, the Company issued HK\$5,000,000 corporate bonds with a nominal value of HK\$5,000,000, of which HK\$5,000,000 was received in 2017. The bonds carried interest at a rate of 9% per annum and were repaid as at 31 December 2019.
- (d) 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 carried interest at a rate of 6% per annum and payable annually after the period.
- (e) On 2 December 2019, the Company issued HK\$5,000,000 corporate bonds with a nominal value of HK\$5,000,000, of which HK\$5,000,000 was received in 2019. The bonds carry interest at a rate of 9% per annum and payable annually after the period.
- (f) 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\$73,500,000 and HK\$37,000,000 was received in 2020 and 2019, respectively. The bonds carry interest at a rate of 6% per annum and payable annually after the period.
- (g) On 26 February 2020, the Company issued HK\$5,000,000 corporate bonds with a nominal value of HK\$5,000,000, of which HK\$5,000,000 was received in 2020. The bonds carry interest at a rate of 6% per annum and payable annually after the period.
- (h) The Group's corporate bonds were denominated in Hong Kong dollars. The effective interest rates of HK\$105,500,000 6% Corporate Bonds due in 2021 and HK\$110,500,000 6% Corporate Bonds due in 2021 and 2022 are 9.13% and 10.04%, respectively.

15. PROMISSORY NOTE

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
At the beginning of the period	281,307	—
Issuance of promissory note (note (a))	—	274,552
Effective interest charged (note (b))	11,587	9,655
Interest payable and included in other payables and accruals	(3,481)	(2,900)
At the end of the period	289,413	281,307

Note:

- (a) On 7 August 2019, the Company issued 4-year unsecured promissory note with nominal value of HK\$348,080,000 denominated in Hong Kong dollars. The interest 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 was 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. SHARE CAPITAL AND TREASURY SHARES

Shares

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Issued and fully paid 482,290,000 ordinary shares	4,823	4,823

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 2019	434,290,000	4,343	163,205
Consideration Shares issued (note (a))	48,000,000	480	192,480
As at 31 December 2019 and 1 January 2020	482,290,000	4,823	355,685
As at 30 June 2020	482,290,000	4,823	355,685

Note:

- (a) 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.

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 2019	(9,525,275)	(95)	(11,662)
Repurchase of ordinary shares	(356,000)	(4)	(1,379)
As at 31 December 2019 and 1 January 2020	(9,881,275)	(99)	(13,041)
As at 30 June 2020	(9,881,275)	(99)	(13,041)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	Note	For the six months ended 30 June	
		2020	2019
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loan to Earthasia Worldwide Holdings Limited ("EA Trading")	(i)	2,100	31,700
Loan to 大連鵬亞國際貿易有限公司 ("Dalian Trading")	(ii)	4,970	—
Repayment of loan from EA Trading	(i)	6,315	28,410
Interest income from EA Trading		156	1,124
Repayment of loan from 大連鵬亞國際貿易有限公司 ("Dalian Trading")	(ii)	5,191	—
Interest income from 大連鵬亞國際貿易有限公司 ("Dalian Trading")		35	—

- (i) The Group granted a revolving loan in aggregate of HK\$2,100,000 (six months ended 30 June 2019: HK\$31,700,000) during the period to EA Trading, a joint venture of the Group, to support its business operation with a one-year term which is unsecured and bears interest at 12% per annum (six months ended 30 June 2019: 12%). The revolving loan at all times with a balance did not exceed HK\$50,000,000.
- (ii) The Group entered into the loan agreements with Dalian Trading during 2020, and the total principals amounted to RMB4,500,000 at 12% interest rate per annum (six months ended 30 June 2019: RMB Nil).

18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a non-wholly owned subsidiary of the Company, which was engaged in catering business through operating a restaurant in Milan, Italy has decided to cease operations due to its ongoing loss making coupled with weakened demand of customers since the outbreak of the COVID-19. Impairment loss on the assets of this restaurant of HK\$16,155,000 have been recognised to the profit or loss for the six months ended 30 June 2020.

19. COMPARATIVE FIGURES

Certain comparative information has been restated to conform with the current period's presentation.

20. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The financial statements were approved and authorised for issue by the board of directors on 28 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, the Group has been focusing on the graphene and landscape architecture business. Since August 2019, the Group has completed the acquisition of 100% issued share capital of Think High Global Limited and commenced the business of processing and sale of graphite and graphene related products (the “Graphene business”). During the reporting period, the Group’s revenue was represented by (i) the Graphene business, (ii) landscape architecture and (iii) the catering business. Graphene business contributed the largest source of revenue to the Group. Geographically, the Group’s revenue was derived from the Mainland China, Hong Kong, Italy and others.

Graphene Business

The completion of the acquisition of 100% issued share capital of Think High Global Limited (“Think High”) in August 2019 has provided a new revenue stream for the Group. For the six months ended 30 June 2020, the Graphene business contributed revenue of approximately HK\$84.5 million, representing approximately 54.4% of the Group’s total revenue, with an adjusted EBITDA of approximately HK\$19.1 million.

Think High’s principal businesses include the development, production and sales of graphene products. Its wholly-owned subsidiary Shanghai Tanao New Material Technology Company Limited (“Shanghai Tanao”), a foreign-owned enterprise incorporated in Shanghai Free-Trade Zone, is the investment vehicle of the Group in PRC for graphene related businesses. Shanghai Tanao operates research and development, production and sales of graphene products in Jixi, Heilongjiang, PRC through its wholly-owned subsidiary Heilongjiang Mudanjiang Nongken Tanao Graphite Deep Processing Company Limited (“Tanao”).

Tanao’s main product is spherical graphite of D50=10-15 μ m, which is an essential material to produce anode of lithium-ion batteries for electric and hybrid vehicles. Due to the Chinese New Year holidays and COVID-19 pandemic, the production of graphene products in Jixi, Heilongjiang was interrupted from January to March 2020. Production resumed in April 2020 and since then, sales of spherical graphite has been picking up. Tanao is confident that it can meet the financial targets in 2020.

The growing popularity of EVs implies a growing demand of lithium-ion batteries, which the Group believes is a great opportunity for Graphene business. The Group intends to expand Tanao’s production capacity and continues to invest in R&D to maintain its technological leadership. Recently, Tanao has obtained 8 more patents in PRC with another 1 pending for approval.

Graphene business is a new focus of the Group and Tanao shall continue to devote resources to further develop its realm.

Landscape Architecture

The Group maintains its market position as one of the leading landscape architecture providers predominantly in the PRC and Hong Kong. It offers landscape architecture services to clients including governments, private property developers, state-owned property developers, design services companies and engineering companies in the PRC and Hong Kong.

The revenue of the Group’s landscape architecture segment decreased to approximately HK\$64.6 million for the six months ended 30 June 2020, representing a decrease of approximately 15.2%, as compared with that of approximately HK\$76.2 million for the six months ended 30 June 2019. The decrease in revenue was mainly due to the outbreak of COVID-19 which slowed down the progress of landscape architecture projects.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the Group entered into 52 new contracts with a total contract sum of approximately HK\$133.8 million for projects located in the PRC and 12 new contracts with a total contract sum of approximately HK\$10.4 million for projects located in Hong Kong and others. Geographically, approximately 92.8% of the new contract sum represented projects located in the PRC and approximately 7.2% represented projects located in Hong Kong in terms of contract sum.

The number of new contracts and contract sum entered by the Group compared with last reporting period are set out as follows:

Six months ended 30 June	No. of new contracts	Contract sum (HK\$'million)
2020	64	144.2
2019	86	99.1

The new contract increased to approximately HK\$144.2 million for the six months ended 30 June 2020, representing an increase of approximately 45.5%, as compared with that of approximately HK\$99.1 million for the last reporting period.

Catering Business

The Group's catering business is mainly represented by Yummy Holdings Limited and its subsidiaries which included Thai Gallery restaurants serving Thai cuisine in the PRC and Italy. The Group's catering revenue decreased to approximately HK\$6.1 million for the six months ended 30 June 2020, representing a decrease of approximately 61.4%, as compared with that of approximately HK\$15.8 million for the six months ended 30 June 2019. The decrease in revenue from the catering segment was mainly due to cease and/or downscale of operation of restaurants in various cities in China and Italy due to the deterioration in market environment since the outbreak of the novel coronavirus pandemic ("COVID-19") since January 2020.

FINANCIAL REVIEW

Revenue

Revenue increased to approximately HK\$155.2 million for the six months ended 30 June 2020, representing an increase of approximately 68.7%, as compared with that of approximately HK\$92.0 million for the same period in 2019. In August 2019, the Group completed the acquisition of Think High Global Limited and commenced the Graphene business, which contributed additional revenue of approximately HK\$84.5 million to the Group for the six months ended 30 June 2020 and offset the decrease in revenue for both landscape architecture and catering segment.

Cost of sales

Cost of sales increased to approximately HK\$90.3 million for the six months ended 30 June 2020, representing an increase of approximately 134.5%, as compared with that of approximately HK\$38.5 million for the same period in 2019. Cost of sales mainly represented project staff cost in respect of landscape architecture segment, cost of inventories in respect of catering business and Graphene business. The increase in cost of sales was primarily due to the addition of Graphene business in the first half of 2020 which did not take place in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Gross profit increased to approximately HK\$64.9 million for the six months ended 30 June 2020, representing an increase of approximately 21.3%, as compared with that of approximately HK\$53.5 million for the same period in 2019.

Gross profit margin decreased by approximately 16.4 percentage points to approximately 41.8% for the six months ended 30 June 2020, as compared with that of approximately 58.2% for the same period in 2019.

Selling, marketing and administrative expenses

Selling, marketing and administrative expenses increased to approximately HK\$82.3 million for the period ended 30 June 2020, representing an increase of approximately 12.4%, as compared with that of approximately HK\$73.2 million for the same period in 2019. The increase was mainly due to the increase in staff cost and operating expenses from the Graphene business.

Impairment loss on financial and contract assets

It mainly represented impairment loss of trade receivables, contract assets, and other receivables. Such impairment loss increased to approximately HK\$6.4 million for the period ended 30 June 2020, representing an increase of approximately 156.0%, as compared with that of approximately HK\$2.5 million for the same period in 2019. The increase mainly reflected the Group's increase in credit loss under the less favourable market and economic environment which negatively affected the Group's collectability on financial and contract assets.

Other expenses

The other expenses mainly represented the impairment of property, plant and equipment, intangible assets, goodwill and fair value loss. The increase was mainly due to the increase in impairment loss on the Group's catering segment mainly represented by Thai Gallery (HK) Limited due to the outbreak of COVID-19. During the first half of 2020, the catering segment was adversely affected by the outbreak of COVID-19 where the restaurants had to be suspended and downsized. On 7 August 2020, the Group decided to cease the operating of Thai Gallery SRL, represented by a Thai cuisine restaurant in Milan, Italy. Details of the impairment loss are as follows:

	2020 HK\$'000
Goodwill	3,278
Property and equipment	6,530
Intangible assets	10,844
Financial assets at fair value through profit and loss	1,182
Total	21,834

MANAGEMENT DISCUSSION AND ANALYSIS

Net loss

As a result of the foregoing, the loss attributable to owners of the Company was approximately HK\$49.1 million for the six months ended 30 June 2020, as compared with that of a loss attributable to owners of the Company of approximately HK\$27.3 million for the same period in 2019.

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 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Current assets	259,909	282,558
Current liabilities	208,990	252,998
Current ratio	1.2x	1.1x

The current ratio of the Group at 30 June 2020 was approximately 1.2 times as compared to that of approximately 1.1 times at 31 December 2019.

At 30 June 2020, the Group had total cash and bank balances of approximately HK\$27.9 million (31 December 2019: HK\$53.9 million).

At 30 June 2020, the Group's gearing ratio (represented by total interest-bearing bank and other borrowings at the end of the period divided by total equity at the end of the respective period multiplied by 100%) was approximately 347.6% (31 December 2019: 233.8%).

The capital structure of the Company mainly comprises issued ordinary shares and debt securities. As of 30 June 2020, the Company had outstanding issued bonds of approximately HK\$216.8 million, issued promissory notes of approximately HK\$289.4 million and 482,290,000 shares ordinary shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2020.

Pledge of assets

The Group had no significant pledge of assets as at 30 June 2020.

Capital commitment

The Group had no significant capital commitment as of 30 June 2020.

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, receivables management, etc. Save for meeting working capital needs, the Group only holds minimum foreign currency.

Human resources and employees' remuneration

As at 30 June 2020, the Group had around 583 employees (31 December 2019: 607 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 six months ended 30 June 2020, there was no share options granted (six months ended 30 June 2019: nil) under the Share Option Scheme.

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Group's position in the graphene industry is supplying processed graphite materials to downstream application industries, with a focus on the sector of lithium-ion batteries and energy storage products. The Group's Graphene business is strategically located near supply source, serving a diverse network of customers, while demand for its product is sustained by a robust downstream industry, especially in energy storage applications and devices.

Tanao's manufacturing facilities of graphene products are situated in Jixi, Heilongjiang, PRC which is the heart of graphite deposit in China where major mining industry provides high quality and stable supply of natural graphite flakes.

Tanao's major product is spherical graphite, which makes up approximately 90% of the Group's revenue of Graphene business. Tanao currently supplies to more than 30 active customers in China, including wholesalers, traders, lithium-ion battery manufacturers, etc. At present, most of the products are directed towards the energy storage product manufacturing sector including manufacturer of anode materials for lithium-ion battery. The demand of spherical graphite in PRC was around 200,000 MT for 2019. Tanao's sales of graphene products remain strong in the first half of 2020 despite the interruption due to COVID-19 pandemic. Tanao is confident that it shall meet the financial targets in 2020.

The future prospects of Graphene business will depend on the following factors: (i) the increasing demand of lithium-ion batteries arising from the popularity of electric vehicles or EV; (ii) the technology advancement of the production of specialized graphene products such as spherical graphite for anode material that functions at extreme low temperature. The Group believes the demand for EV is beginning to surge and will continue in the foreseeable future. This will probably drive the demand for lithium-ion batteries and hence spherical graphite. For this reason, The Group intends to expand the production capacity of spherical graphite to maintain its market share in the industry. On the other hand, the research team is conducting research on the production of (i) spherical graphite for anode material that functions at extreme low temperature; and (ii) ultra-fine spherical graphite of D50=3-5 μ m. Tanao is capable of producing ultra-fine spherical graphite of D50=6-9 μ m and such product is patented in the PRC. Although the market is not ready for ultra-fine spherical graphite due to cost effectiveness, we believe the ultra-fine spherical graphite will become a main-stream product as demand for better performance energy storage products rises.

The Group strives to become a leading graphene product manufacturer in the PRC by seeking continuous breakthrough in manufacturing technology for quality products and investing in R&D to ensure its technological leadership. The Group shall also seek investment opportunities of downstream graphene products manufacturers. The Group expects its Graphene business will become the new core business and the major revenue contributor of the Group.

The Group shall maintain healthy operation of the landscape architecture business while catering business will be downsized to avoid any further possible impact of COVID-19 and competition of the catering market.

2020 is full of challenges and uncertainties. The recent outbreak of COVID-19 pandemic and tensions between China and the United States have posed uncertainties on the global economy and business outlook of the Group. The Directors believe the joint efforts of the management and staff can broaden the revenue streams of the Group and will have overall improvements in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2020, there was an outstanding loan balance of approximately HK\$0.5 million due from the Borrower group 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 group as at 30 June 2020 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

2020	HK\$'000
Cash and cash equivalents	2,036
Other current assets	50,577
Current assets	52,613
Non-current assets	244
Current liabilities	65,946
Non-current liabilities	3,332
Net assets/(deficiency in assets)	(16,421)
Reconciliation to the Group's interests in the joint venture:	
Proportion of the Group's ownership	30%
Carrying amount of the investment	—
Revenue	55,236
Interest expense	3,658
Loss for the year	(4,242)
Loss and total comprehensive loss for the year	(4,242)

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

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

OTHER INFORMATION

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 30 June 2020, 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

Name of Director	Capacity	Number of Shares				Share Option Scheme	Number of underlying Shares held under the	Approximate % of shareholding
		Personal interest	Family interest	Corporate interest	Other interest			
Chan Yick Yan Andross	Beneficial owner, interest of controlled corporation	4,204,000	—	95,006,887 ¹	—	—	99,210,887	20.57%
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:

- 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.
- 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	Trade More Global Limited	Beneficial owner	109 (ordinary shares)	9.99%

Saved as disclosed above, as at 30 June 2020, 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 30 June 2020, 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 Stock Exchange.

OTHER INFORMATION

Long position in the shares

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximate % of shareholding
CYY Holdings Limited ¹	Beneficial owner	95,006,887	19.70%
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%
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.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

Save as Mr. Ma Lida, our non-executive Director nominated by Pubang Landscape Architecture Co., Ltd., whom is required to declare his conflict of interests and barred from participation or voting on issue if there is any potential conflict of interest between the Group and Pubang Landscape Architecture Co., Ltd., 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 six months ended 30 June 2020.

CHANGES IN INFORMATION OF DIRECTORS

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

Directors	Details of Changes
Wong Wang Tai	Ceased to be a director of the Company on 15 June 2020
Liu Kwong Sang	Appointed as an independent non-executive Director since 15 June 2020
Tang Zhaodong	Appointed as an independent non-executive Director since 15 June 2020
Chan Anthony Kaikwong	Appointed as an independent non-executive Director since 15 June 2020

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 six months ended 30 June 2020, there were no share option granted. As at 30 June 2020, the Company had nil share options outstanding under the Share Option Scheme.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") stated in Appendix 14 to the Listing Rules during the six months ended 30 June 2020. 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 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established the Audit Committee to review and supervise the financial reporting process and internal Control procedures of the Group 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. Liu Kwong Sang (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. Liu Kwong Sang.

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2020 have not been reviewed by external auditor but have been reviewed by the audit committee of the Company that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

APPRECIATION

Finally, we would like to express our gratitude to the Shareholders, business partners, subconsultants and customers for their continuous support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

Lau Hing Tat Patrick

Chairman

Hong Kong, 28 August 2020