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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Earthasia International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016 together with comparative figures, as follows:

FINANCIAL HIGHLIGHTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Goodwill		**3,111**	3,111
Property and equipment		**5,128**	5,625
Intangible assets		**3,976**	5,555
Prepayments and deposits		**2,762**	888
Investments in joint ventures		**–**	4,277
Investments in associates		**8,472**	–
Available-for-sale investment		**2,679**	2,864
Deferred tax assets		**7,051**	5,289
Total non-current assets		**33,179**	27,609
CURRENT ASSETS			
Gross amount due from customers for contract work		**56,960**	64,624
Trade and bills receivables	*11*	**57,394**	56,758
Prepayments, deposits and other receivables		**16,766**	23,014
Available-for-sale investment		**–**	23,864
Tax recoverable		**–**	3,235
Pledged deposit		**–**	30,000
Cash and bank balances		**70,085**	94,805
Total current assets		**201,205**	296,300
CURRENT LIABILITIES			
Trade payables	*12*	**5,099**	3,624
Other payables and accruals		**14,565**	30,358
Interest-bearing bank and other borrowings		**–**	30,644
Gross amount due to customers for contract work		**13,398**	17,356
Tax payable		**26,146**	30,029
Dividends payable		**63**	108
Total current liabilities		**59,271**	112,119
NET CURRENT ASSETS		**141,934**	184,181
TOTAL ASSETS LESS CURRENT LIABILITIES		**175,113**	211,790

	Notes	**2016**	2015
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Finance lease payable		**–**	299
Retirement benefit obligations		**646**	405
Deferred tax liabilities		**3,278**	4,592
Total non-current liabilities		**3,924**	5,296
NET ASSETS		**171,189**	206,494
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**4,200**	4,200
Treasury shares		**(88)**	(140)
Other reserves		**167,085**	201,895
		171,197	205,955
Non-controlling interests		**(8)**	539
Total equity		**171,189**	206,494

1. CORPORATE AND GROUP INFORMATION

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.

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

2 BASIS OF PREPARATION

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

Year ended 31 December 2016

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

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

Year ended 31 December 2015

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

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

Geographical information

(a) Revenue from external customers

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

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

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

(b) Non-current assets

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

6. PROFIT/(LOSS) BEFORE TAX

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. INCOME TAX

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

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

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

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

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

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

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

2016

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

2015

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

9. DIVIDEND

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

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

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

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

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

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

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

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

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

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

11. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. TRADE PAYABLES

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

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

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

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

13. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of services

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

Gross profit and gross profit margin

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

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

Administrative expenses

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

Net profit

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

Liquidity and financial resources

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

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

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

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

Contingent liabilities

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

Pledge of assets

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

Capital structure

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

Foreign exchange exposure

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

Human resources and employees' remuneration

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

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

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

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

PROSPECTS

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

MATERIAL ACQUISITION AND DISPOSAL

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

CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

REVIEW OF ANNUAL RESULTS

The Group's audited annual results for the year ended 31 December 2016 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and adequate disclosures have been made.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

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

FINAL DIVIDEND

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ea-dg.com. The annual report for the will be available on the above websites in due course.

ACKNOWLEDGEMENT

The chairman of the Board would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders of the Company for their support to the Group.

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

Hong Kong, 30 March 2017

As at the date of this announcement, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross and Mr. Tian Ming; the non-executive Directors are Mr. Michael John Erickson, Mr. Ma Lida and Ms. Huang Yaping; and the independent non-executive Directors are Ms. Tam Ip Fong Sin, Mr. Wong Wang Tai and Mr. Wang Yuncai.