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 2018

The board (the "**Board**") of directors (the "**Directors**") of Earthasia International Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 together with comparative figures, as follows:

Financial Highlights

Results		**For the year ended 31 December**		
		2018	2017	Change
Revenue	*HK$'000*	**197,311**	128,671	+53.3%
Landscape architecture	*HK$'000*	**156,827**	123,406	+27.1%
Catering	*HK$'000*	**40,484**	5,265	+668.9%
Gross profit	*HK$'000*	**114,152**	44,997	+153.7%
Landscape architecture	*HK$'000*	**83,773**	41,281	+102.9%
Catering	*HK$'000*	**30,379**	3,716	+717.5%
Loss before tax	*HK$'000*	**(49,087)**	(51,491)	-4.7%
Loss attributable to owners of the parent	*HK$'000*	**(36,039)**	(57,313)	-37.1%
Basic loss per share attributable to ordinary equity holders of the parent	*HK cents*	**(8.5)**	(13.9)	+5.4

Results		**At 31 December**		
		2018	2017	Change
Total assets	*HK$'000*	**314,167**	309,147	+1.7%
Net assets	*HK$'000*	**100,417**	141,842	-29.2%
Shareholder's equity	*HK$'000*	**91,639**	122,175	-25.0%
Cash and bank balances	*HK$'000*	**85,987**	112,442	-23.5%
Debt	*HK$'000*	**107,462**	63,500	+69.2%
Net debt/(cash)	*HK$'000*	**21,475**	(48,942)	+70,417

Consolidated Statement of Profit or Loss
Year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	5	**197,311**	128,671
Cost of sales	6	**(83,159)**	(83,674)
GROSS PROFIT		**114,152**	44,997
Other income and gains	5	**16,289**	11,878
Selling and marketing expenses		**(33,272)**	(12,685)
Administrative expenses		**(100,850)**	(81,462)
Impairment losses on financial and contract assets, net		**(14,104)**	—
Other expenses		**(20,587)**	(11,488)
Finance costs	7	**(9,028)**	(268)
Share of losses of:			
Joint ventures	4	**(3)**	(1)
Associates	4	**(1,684)**	(2,462)
LOSS BEFORE TAX	6	**(49,087)**	(51,491)
Income tax credit/(expense)	8	**2,104**	(6,243)
LOSS FOR THE YEAR		**(46,983)**	(57,734)
Attributable to:			
Owners of the parent		**(36,039)**	(57,313)
Non-controlling interests		**(10,944)**	(421)
		(46,983)	(57,734)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For loss for the year		**HK(8.5 cents)**	HK(13.9 cents)
Diluted			
– For loss for the year		**HK(8.5 cents)**	HK(13.9 cents)

Consolidated Statement of Comprehensive Income
Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
LOSS FOR THE YEAR	**(46,983)**	(57,734)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(2,412)**	5,468
	(2,412)	5,468
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(2,412)**	5,468
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**(1,272)**	—
Income tax effect	**190**	—
	(1,082)	—
Remeasurement income on defined benefit obligations	**—**	257
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(1,082)**	257
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(3,494)**	5,725
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(50,477)**	(52,009)
Attributable to:		
Owners of the parent	**(39,463)**	(51,593)
Non-controlling interests	**(11,014)**	(416)
	(50,477)	(52,009)

Consolidated Statement of Financial Position

31 December 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**16,938**	10,788
Goodwill		**5,419**	7,219
Other intangible assets		**36,018**	49,055
Investments in joint ventures		**199**	201
Investments in associates		**2,297**	8,418
Equity investments designated at fair value through other comprehensive income		**2,885**	—
Available-for-sale investment		**—**	2,881
Prepayments and deposits		**55,480**	4,222
Deferred tax assets		**317**	42
Total non-current assets		**119,553**	82,826
CURRENT ASSETS			
Inventories		**1,331**	744
Trade and bills receivables	12	**50,164**	48,092
Prepayments, other receivables and other assets		**16,292**	22,791
Financial assets at fair value through profit or loss		**4,122**	5,580
Gross amount due from customers for contract work		**—**	35,355
Contract assets		**36,592**	—
Tax recoverable		**126**	—
Cash and bank balances		**85,987**	112,442
		194,614	225,004
Assets of a disposal group classified as held for sale		**—**	1,317
Total current assets		**194,614**	226,321

	Notes	**2018**	2017
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Gross amount due to customers for contract work		**—**	20,310
Trade payables	13	**10,883**	7,389
Other payables and accruals		**59,908**	35,061
Interest-bearing other borrowings		**66,968**	—
Tax payable		**25,807**	26,134
Dividends payable		**4**	4
		163,570	88,898
Liabilities directly associated with the assets classified as held for sale		**—**	1,083
Total current liabilities		**163,570**	89,981
NET CURRENT ASSETS		**31,044**	136,340
TOTAL ASSETS LESS CURRENT LIABILITIES		**150,597**	219,166
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings		**40,494**	63,500
Other payables		**—**	351
Deferred tax liabilities		**9,686**	13,473
Total non-current liabilities		**50,180**	77,324
NET ASSETS		**100,417**	141,842
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	**4,343**	4,220
Treasury shares		**(95)**	(88)
Other reserves		**87,391**	118,043
		91,639	122,175
Non-controlling interests		**8,778**	19,667
Total equity		**100,417**	141,842

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 and catering business in Mainland China and Italy. 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, except for equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and Annual Improvements to IFRSs 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs")

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement					IFRS 9 measurement	
	Notes	Category	Amount	Re-classification	ECL	Other	Amount	Category
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	—	2,881	—	1,451	4,332	FVOCI[1] (equity)
From: Available-for-sale investments	(i)		—	2,881	—	—	—	
Available-for-sale investments		AFS[2]	2,881	(2,881)	—	—	—	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)		—	(2,881)	—	—	—	
Trade receivables	(ii)	L&R[3]	48,092	—	(1,292)	—	46,800	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	20,475	—	—	—	20,475	AC
Contingent assets		FVPL[5]	970	—	—	—	970	FVPL (mandatory)
Financial assets at fair value through profit or loss		FVPL[5]	5,580	—	—	—	5,580	FVPL (mandatory)
Cash and cash equivalents		L&R	112,442	—	—	—	112,442	AC
			190,440	—	(1,292)	1,451	190,599	
Other assets								
Contract assets	(ii)		35,355	—	(4,270)	—	31,085	
Deferred tax assets			42	—	—	23	65	
			35,397	—	(4,270)	23	31,150	
Total assets			225,837	—	(5,562)	1,474	221,749	

	Notes	IAS 39 measurement Category	Amount HK$'000	Re-classification HK$'000	ECL HK$'000	Other HK$'000	IFRS 9 measurement Amount HK$'000	Category
Financial liabilities								
Trade payables		AC	7,389	–	–	–	7,389	AC
Financial liabilities included in other payables and accruals		AC	32,854	–	–	–	32,854	AC
Interest-bearing other borrowings		AC	63,500	–	–	–	63,500	AC
Dividends payable		AC	4	–	–	–	4	AC
Financial liabilities at fair value through profit or loss		FVPL	351	–	–	–	351	FVPL
			104,098	–	–	–	104,098	
Other liabilities								
Deferred tax liabilities			13,473	–	–	(186)	13,287	
Total liabilities			117,571	–	–	(186)	117,385	

1 FVOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowances under IAS 39 at 31 December 2017 *HK$'000*	**Re-measurement** *HK$'000*	**ECL allowances under IFRS 9 at 1 January 2018** *HK$'000*
Trade receivables	31,077	1,292	32,369
Contract assets	47,801	4,270	52,071
	78,878	5,562	84,440

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits *HK$'000*
Fair value reserve under IFRS 9 (available-for-sale investment revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	—
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	1,451
Deferred tax in relation to the above	(218)
Balance as at 1 January 2018 under IFRS 9	1,233
Accumulated losses	
Balance as at 31 December 2017 under IAS 39	26,152
Recognition of expected credit losses for contract assets under IFRS 9	1,292
Recognition of expected credit losses for trade receivables under IFRS 9	4,270
Deferred tax in relation to the above	(427)
	5,135
Balance as at 1 January 2018 under IFRS 9	31,287

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** ***HK$'000***
Assets		
Gross amount due from customers for contract work	(i)	(35,355)
Contract assets	(i)	35,355
Total assets		—
Liabilities		
Gross amount due to customers for contract work	(i)	(20,310)
Other payables and accruals	(ii)	(2,207)
Contract liabilities	(ii)	22,517
Total liabilities		—

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income, profit or loss, or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
	Notes	**IFRS 15**	**IFRS**	**(decrease)**
		HK$'000	***HK$'000***	***HK$'000***
Gross amount due from customers for contract work	(i)	—	36,592	(36,592)
Contract assets	(i)	36,592	—	36,592
Total assets		314,167	314,167	—
Other payables and accruals	(ii)	27,940	29,862	(1,922)
Contract liabilities	(i) (ii)	31,968	—	31,968
Gross amount due to customers for contract work	(i)	—	30,046	(30,046)
Total liabilities		213,750	213,750	—
Net assets		100,417	100,417	—

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) Landscape design services

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as gross amount due from customers for contract work in the statement of financial position before the landscape design services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK$35,355,000 from gross amount due from customers for contract work to contract assets and reclassified HK$20,310,000 from gross amount due to customers for contract work to contract liabilities as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in gross amount due from customers for contract work of HK$36,592,000 and an increase in contract assets of HK$36,592,000, and HK$31,968,000 was reclassified from gross amount due to customers for contract work to contract liabilities.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount and gross amount due to customers for contract work are classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified HK$2,207,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, HK$1,922,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the provision of landscape design services.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 five reportable operating segments as follows:

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

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

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

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

(e) The catering business focuses on the 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.

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 2018

	Residential development projects *HK$'000*	Infrastructure and public open space projects *HK$'000*	Commercial and mixed-use development projects *HK$'000*	Tourism and hotel projects *HK$'000*	Catering *HK$'000*	Total *HK$'000*
Segment revenue: (note 5)						
Revenue	80,097	33,695	28,651	14,384	40,484	197,311
Segment results	42,956	14,665	13,511	8,137	(28,960)	50,309
Reconciliation						
Unallocated income and gains						13,721
Unallocated expenses						(104,277)
Finance costs						(8,840)
Loss before tax						(49,087)
Segment assets:	39,301	18,310	17,117	6,321	70,377	151,426
Reconciliation						
Elimination of intersegment receivables						(57,266)
Unallocated assets						220,007
Total assets						314,167
Segment liabilities	18,355	5,696	5,365	2,520	80,347	112,283
Reconciliation						
Elimination of intersegment payables						(57,266)
Unallocated liabilities						158,733
Total liabilities						213,750

	Residential development projects HK$'000	Infrastructure and public open space projects HK$'000	Commercial and mixed-use development projects HK$'000	Tourism and hotel projects HK$'000	Catering HK$'000	Total HK$'000
Other segment information						
Share of losses of:						
Joint ventures	—	—	—	—	(3)	(3)
Share of losses of:						
Associate						
Unallocated						(1,684)
Impairment losses recognised in the statement of profit or loss	1,892	590	1,949	508	26,075	31,014
Impairment losses reversed in the statement of profit or loss	—	(302)	(133)	—	—	(435)
Reconciliation						
Unallocated						347
Total						30,926
Depreciation and amortisation	—	—	—	—	6,056	6,056
Reconciliation						
Unallocated						3,909
Total						9,965
Investments in a joint venture	—	—	—	—	199	199
Investments in an associate						
Unallocated						2,297
Capital expenditures*	—	—	—	—	14,473	14,473
Reconciliation						
Unallocated						4,297
Total						18,770

* Capital expenditure consists of additions to property and equipment and other intangible assets.

Year ended 31 December 2017

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

	Residential development projects HK$'000	Infrastructure and public open space projects HK$'000	Commercial and mixed-use development projects HK$'000	Tourism and hotel projects HK$'000	Catering HK$'000	Total HK$'000
Other segment information						
Share of losses of: Joint ventures	—	—	—	—	(1)	(1)
Share of losses of:						
Associate						
Unallocated						(2,462)
Provision/(reversal of provision) for impairment of trade receivables	1,096	4,536	1,069	(139)	—	6,562
Depreciation and amortisation	—	—	—	—	1,485	1,485
Reconciliation						
Unallocated						4,053
Total						5,538
Investments in a joint venture	—	—	—	—	193	193
Investments in an associate						
Unallocated						1,787
Capital expenditures	—	—	—	—	1,035	1,035
Reconciliation						
Unallocated						2,401
Total						3,436

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**20,602**	19,731
Mainland China	**163,130**	105,290
Others	**13,579**	3,650
	197,311	128,671

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

During the years ended 31 December 2018 and 2017, other than Mainland China and Hong Kong, the Group derived revenue from Macau and Italy.

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**52,608**	1,749
Mainland China	**52,088**	60,601
Others	**9,121**	13,215
	113,817	75,565

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

Information about major customers

Revenue of approximately HK$10,216,000 (2017: HK$3,651,000) was derived from services to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue for contracts with customers		
Landscape design services	**156,827**	123,406
Catering revenue	**31,270**	5,265
Catering management service	**9,214**	—
	197,311	128,671

Revenue for contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

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

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

For the year ended 31 December 2018

Segments	Residential development projects *HK$'000*	Infrastructure and public open space projects *HK$'000*	Commercial and mixed-use development projects *HK$'000*	Tourism and hotel projects *HK$'000*	Catering *HK$'000*	Total *HK$'000*
Revenue from contacts with customers						
External customers	80,097	33,695	28,651	14,384	40,484	197,311
Intersegment sales	—	—	—	—	—	—
	80,097	33,695	28,651	14,384	40,484	197,311
Intersegment adjustments and eliminations	—	—	—	—	—	—
Total revenue from contracts with customers	80,097	33,695	28,651	14,384	40,484	197,311

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

	2018 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Landscape design service	**16,460**
Revenue recognised from performance obligations satisfied in previous periods:	
Sale of goods not previously recognised due to constraints on variable consideration	**—**

(ii) Performance obligations

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

Landscape design services

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

Catering services

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

Management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year, or are billed based on the time incurred.

	2018	2017
	HK$'000	*HK$'000*
Other income		
Service income	**4,635**	6,456
Dividend income from equity investments at fair value through other comprehensive income	**440**	—
Foreign exchange differences, net	**—**	2,367
Dividend income from available-for-sale investment	**—**	128
Interest income	**3,280**	1,726
Government grants	**2,666**	71
	11,021	10,748
Gains		
Payables written back	**593**	1,130
Gain on disposal of a subsidiary	**96**	—
Gain on disposal of an associate*	**3,777**	—
Others	**802**	—
	5,268	1,130
	16,289	11,878

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

* In the twelve-month period ended 31 December 2018, HKD 3,777,000 represents the gain on disposal partially the equity interest in an associate company, Shanghai Teddy Friends Investment Management Limited.

6. LOSS BEFORE TAX

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

	Note	**2018** HK$'000	2017 HK$'000
Cost of inventories sold		**10,105**	1,549
Cost of services provided		**73,054**	82,125
Depreciation		**4,142**	3,303
Amortisation of intangible assets		**5,823**	2,235
Research and development costs:			
Current year expenditure		**6,740**	6,361
		6,740	6,361
Impairment of a disposal group classified as held for sale		**—**	2,425
Written off of goodwill*		**1,760**	—
Impairment of property and equipment*		**5,618**	—
Impairment of other intangible asset*		**8,774**	—
Fair value losses, net:*			
Financial assets at fair value through profit or loss		**2,032**	—
Minimum lease payments under operating leases		**21,187**	12,968
Auditor's remuneration		**4,632**	3,438
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**98,746**	76,216
Equity-settled share option expense		**—**	31
Pension scheme contributions (defined contribution scheme)		**11,882**	9,903
Welfare and other benefits		**4,757**	2,653
		115,385	88,803
Foreign exchange differences, net		**1,819**	(2,367)
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	12	**2,125**	6,562
Impairment of contract assets, net		**2,379**	—
Impairment of gross amount due from customers for contract work		**—**	18,975
Impairment of financial assets included in prepayments, other receivables and other assets		**9,600**	1,561
Loss on disposal of items of property and equipment		**—**	25
Write-down of inventories to net realisable value**		**670**	—
Expenses relating to a defined benefit plan		**—**	189

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest on interest-bearing other borrowings	**9,028**	268
	9,028	268

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

前海泛亞景觀設計 (深圳) 有限公司 has been provided at the rate of 15% (2017: 15%) on the estimated assessable profits as its main principal activities, of engaging in interior design and landscape, are recognised as encouraged industries in Qianhai district, Shenzhen in Mainland China.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% for the year (2017: 25%) under the income tax rules and regulations in the PRC.

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

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

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong	**(1,260)**	223
Current – Mainland China	**2,464**	345
Current – Italy	**274**	70
Current – Philippines	**—**	63
	1,478	701
Deferred	**(3,582)**	5,542
Total tax (credit)/charge for the year	**(2,104)**	6,243

9. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Proposed final – Nil (2017: Nil) per ordinary share	**—**	—
	—	—

The Board does not recommend the payment of any final dividend in respect for the year ended 31 December 2018.

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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 425,223,678 (2017: 411,786,341) in issue during the year, as adjusted to reflect the shares repurchased for the purpose of awarding shares to eligible persons under the share award scheme.

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

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2018 and 2017 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share presented.

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent:	**(36,039)**	(57,313)

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculations	**425,223,678**	411,786,341
Effect of dilution – weighted average number of ordinary shares:		
Shares awarded	**—**	—
	425,223,678	411,786,341

11. SHARE CAPITAL

Shares	**2018**	2017
	HK$'000	*HK$'000*
Issued and fully paid		
434,290,000 (2017: 422,000,000) ordinary shares	**4,343**	4,220

12. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**82,902**	79,169
Impairment	**(32,738)**	(31,077)
	50,164	48,092

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$47,948,000 (2017: HK$39,389,000) and billable of HK$34,954,000 (2017: HK$39,780,000).

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

	2018	2017
	HK$'000	*HK$'000*
Within 6 months	**34,037**	30,135
Over 6 months but within 1 year	**6,542**	7,555
Over 1 year but within 2 years	**6,439**	6,877
Over 2 years but within 3 years	**3,146**	3,525
	50,164	48,092

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

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**31,077**	22,578
Effect of adoption of IFRS 9	**1,292**	—
At 1 January (restated)	**32,369**	22,578
Impairment losses, net (note 6)	**2,125**	6,562
Exchange alignment	**(1,756)**	1,937
At 31 December	**32,738**	31,077

Impairment under IFRS 9 for the year ended 31 December 2018

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

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

As at 31 December 2018

Type A Customers (HK$'000)

	Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	2.87%	12.43%	36.93%	64.71%	100.00%	40.74%
Gross carrying amount	24,037	7,471	10,153	8,830	16,020	66,511
Expected credit losses	689	929	3,749	5,714	16,020	27,101

Type B Customers (HK$'000)

	Less than 6 months	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	0.01%	0.03%	2.30%	25.00%	100.00%	1.64%
Gross carrying amount	4,988	—	36	40	73	5,137
Expected credit losses	—	—	1	10	73	84

For Catering Customers (HK$'000)

	Total
Gross carrying amount	5,701

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for the impairment of trade and bills receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade and bills receivables of HK$29,503,000 with a carrying amount before provision of HK$29,503,000.

The individually impaired trade and bills receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables as at December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017
	HK$'000
Neither past due nor impaired	26,225
Less than 30 days past due	—
30 to 120 days past due	2,094
121 to 300 days past due	—
Over 300 days past due	693
	29,012

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Included in the Group's trade and bills receivables was an amount due from Pubang of HK$628,000 (2017: HK$23,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

13. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**8,345**	6,040
Over 1 year but within 2 years	**1,343**	792
Over 2 years but within 3 years	**648**	495
Over 3 years	**547**	62
	10,883	7,389

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

Included in the Group's trade payables are an amount due to Pubang of HK$1,027,000 (2017: HK$1,083,000) and an amount due to an associate of nil (2017: HK$78,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's business model and revenue and cost structure has no significant change during the reporting period. For the year ended 31 December 2018, landscape architecture business contributed approximately 79.5% of the total revenue while catering business contributed the rest of 20.5% to the Group.

Geographically, the Group's revenue was derived from the Mainland China, Hong Kong, Italy and others.

Landscape Architecture Business

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

In 2018, residential development projects continued to be the largest segment in terms of revenue, which accounted for approximately 51.1% (2017: 48.2%) of the total revenue among the landscape architecture business. Infrastructure and public open space projects continued to be the second largest segment in terms of revenue, which accounted for approximately 21.5% (2017: 23.9%) of the total revenue among the landscape architecture business.

For the year ended 31 December 2018, the Group entered into 220 new contracts with a total contract sum of approximately HK$231.5 million for projects located in the PRC and 37 new contracts with a total contract sum of approximately HK$32.0 million for projects located in Hong Kong and others. Geographically, approximately 87.9% of the new contract sum represented projects located in the PRC and approximately 12.1% represented projects located in Hong Kong and others in terms of contract sum.

The number of new contracts and contract sum entered by the Group during 2016 to 2018 are set out as follows:

Year ended 31 December	No. of new contracts	Contract sum (HK$'million)
2018	257	263.5
2017	160	190.2
2016	147	131.0

In 2018, the Group recorded strong improvement in billing, collection and new contracts from the landscape architecture segment. The new contract increased to approximately HK$263.5 million for the year ended 31 December 2018, representing an increase of approximately 38.5%, as compared with that of approximately HK$190.2 million for the year ended 31 December 2017.

Catering Business

The Group's catering business is mainly represented by Thai Gallery (HK) Limited and its subsidiaries (the "Thai Gallery Group") and Suzhou Industrial Park Wenlvge Hotel Management Company Limited (the "Wenlvge").

Thai Gallery Group mainly managed and operated restaurants serving Thai cuisine in the PRC and Italy under the reputable brand "Thai Gallery (泰廊)". The first Thai Gallery restaurant has been launched in Jing'an Park of Shanghai, the PRC and operated for nearly 20 years. Today, the Thai Gallery restaurant in Shanghai has become an attraction spot to both local residents and foreign visitors. It was awarded the Best Southeast Asian Restaurant (Reader's Pick) in 2016 organised by the website Shanghai WOW! It has also been receiving very high popularity and praises in certain food and online restaurant guides such as Dazhong Dianping.

Wenlvge mainly operates restaurants serving Japanese ramen, Japanese curry and other Japanese-style dishes under the brand "Ikaruga (斑鳩拉麵)" in the PRC.

The Group's catering revenue increased to approximately HK$40.5 million for the year ended 31 December 2018, representing an increase of approximately 664.1%, as compared with that of approximately HK$5.3 million for the year ended 31 December 2017. The increase mainly represented a full-year result reflected in 2018 while the revenue was recognised since the acquisition dates near the end of 2017.

In 2018, Thai Gallery Group continued to be the largest stream of revenue in the Group's catering segment, which accounted for approximately 65.7% (2017: 67.6%) of revenue in the segment. Wenlvge represented the second largest stream, which accounted for approximately 28.6% (2017: 10.5%) in the segment. In addition to one restaurant in Shanghai and one in Italy, Thai Gallery Group successfully launched two additional Thai Gallery restaurants in Chengdu, the PRC, namely Chengdu UPARK Thai Gallery and Chengdu Renhe Mall Thai Gallery, in August and November 2018 respectively. The others were mainly contributed by Teddy Café which were themed cafés licensed by "*Steiff*" and Le Colonial ("壹玖貳玖") restaurant which served Vietnamese cuisine in the PRC.

FINANCIAL REVIEW

Revenue

Revenue increased to approximately HK$197.3 million for the year ended 31 December 2018, representing an increase of approximately 53.3%, as compared with that of approximately HK$128.7 million for the year ended 31 December 2017. The increase was mainly attributable to (i) the robust growth in new contracts from the landscape architecture segment particularly in the first half of 2018 and (ii) the contribution of additional revenue from the catering segment which amounted to approximately HK$40.5 million during the year.

Cost of sales

Cost of sales slightly decreased to approximately HK$83.2 million for the year ended 31 December 2018, representing an decrease of approximately of 0.6%, as compared with that of approximately HK$83.7 million for the year ended 31 December 2017. Cost of sales mainly represented staff cost in respect of the landscape architecture business and cost of inventories in respect of the catering business. The slight decrease in cost of sales was mainly due to a decrease in impairment of gross amount due from customers for contract work, also known as the contract assets according to IFRS 9 in 2018, which represented improvement in the Group's billing and collection during the year.

Gross profit and gross profit margin

As a result, gross profit increased to approximately HK$114.2 million for the year ended 31 December 2018, representing an increase of approximately 153.8%, as compared with that of approximately HK$45.0 million for the year ended 31 December 2017.

Gross profit margin increased by approximately 22.9 percentage points to approximately 57.9% for the year ended 31 December 2018, as compared with that of approximately 35.0% for the year ended 31 December 2017. The increase in gross profit margin represented an improvement in terms of billing, collection and new contracts of the landscape architecture segment compared with that of 2017. It was also contributed by a higher gross profit margin of the catering segment compared with landscape architecture business.

Selling, marketing, administrative, impairment and other expenses

The overall increase in 2018 was mainly due to (i) the increase in salary expenses and the overall cost level due to the inclusion of catering segment which raised the headcount as of 31 December 2018; (ii) an impairment loss attributable to Wenlvge, which the Group acquired in December 2017; and (iii) the relatively high level of administrative expenses such as professional and advisory fees in connection with the ongoing acquisition of Think High Global Limited, represented by the graphene business.

The Board noted that the financial performance of Wenlvge did not pick up as expected. For the year ended 31 December 2018, Wenlvge recorded a revenue of approximately HK$11.6 million while incurred a net loss of approximately HK$19.3 million. During the year, Wenlvge underwent a significant downsize in the number of restaurants from over 10 to only 3. Wenlvge initially operates restaurants serving Japanese ramen, Japanese curry and other Japanese-style dishes under the Ikaruga brand ("斑鳩拉麵") and Go!Go!Curry! ("果果咖哩") in the PRC. However, there was a change in appetites of customers such that Japanese ramen and curry became less popular in the PRC. In this regard, tenancy agreements of certain restaurants of Wenlvge were not renewed by the landlords upon expiry during the year, including two icon shops in Suzhou Eslite (蘇州誠品) and Suzhou Village (蘇州奕歐來). The management has also decided to shut down certain loss-making shops as a loss-cutting strategy. As a result, there was an impairment loss of approximately HK$23.3 million attributable to Wenlvge, which the Group acquired in December 2017.

Net loss

As a result of the foregoing, the loss attributable to owners of the parent was approximately HK$36.0 million for the year ended 31 December 2018, as compared with loss attributable to owners of the parent of approximately HK$57.3 million for the year ended 31 December 2017.

Liquidity, financial resources and gearing

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

	As at 31 December 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Current assets	**194,614**	226,321
Current liabilities	**163,570**	89,981
Current ratio	**1.2x**	2.5x

The current ratio of the Group at 31 December 2018 was approximately 1.2 times as compared to that of approximately 2.5 times at 31 December 2017. The decrease was mainly due to a drop of cash and bank balances whilst an increase in current liabilities caused by the corporate bonds issued in 2017 in the face value of HK$63.5 million which would mature in 2019. The tightening of the Group's liquidity was mainly related to the potential acquisition of Think High Global Limited in relation to the graphene business.

At 31 December 2018, the Group had a total cash and bank balances of approximately HK$86.0 million (31 December 2017: HK$112.4 million). The cash and bank balances were mainly held in HKD and RMB.

At 31 December 2018, the Group's gearing ratio was approximately 107% (represented by total interest-bearing other borrowings at the end of the period divided by total equity at the end of the respective period multiplied by 100%) (31 December 2017: 44.8%).

The capital structure of the Company comprises issued ordinary shares and debt securities. As of 31 December 2018, the Company had 434,290,000 ordinary shares in issue and issued corporate bond of HK$105,000,000 in face value.

As at 31 December 2018, the Group had in total issued corporate bonds of HK$5 million and HK$100 million with interest rates of 9% per annum and 6% per annum respectively. Both of them had a duration of two years from the date issued.

In January 2018, our Group also entered into an agreement to acquire 100% issued share capital of Think High Global Limited at a consideration of HK$692,000,000 in relation to the graphene business. Subject to final completion, the Group expected to further issue corporate bonds of approximately HK$110 million, issue 48,000,000 new shares at the issue price of HK$2.79 as consideration shares, and issue promissory note to the vendor in the amount of HK$348,080,000 in fulfilling the payment of consideration.

Contingent liabilities

The Group may have to pay additional consideration in relation to the acquisitions of Thai Gallery Group and Wenlvge. Save for the above, the Group had no significant contingent liabilities as at 31 December 2018. For details of the acquisition of Thai Gallery Group, please refer the Company's announcements dated 6 February 2017, 14 February 2017, 17 March 2017, 25 August 2017, 12 December 2017 and 14 December 2017. For details of the acquisition of Wenlvge, please refer to the Company's announcements dated 29 March 2017, 1 December 2017 and 4 December 2017.

Pledge of assets

The Group had no significant pledge of assets as at 31 December 2018.

Capital commitment

The Group had no significant capital commitment as of 31 December 2018.

Foreign exchange exposure

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

Human resources and employees' remuneration

As at 31 December 2018, the Group had around 596 employees (31 December 2017: 465 employees, including about 109 employed by managed operations (31 December 2017: 68). 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 2018, there was no share option granted (2017: nil share options) under the Share Option Scheme.

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, we did not identify any important events affecting the Group that have occurred since 31 December 2018.

PROSPECTS

It is expected that 2019 will be challenging and full of uncertainties. The global economy has lost some momentum after growing strongly in the first half of 2018. The economic outlook is subject to increasing downside risks in 2019. The volatilities of asset prices and currency rates since the second half of 2018 has affected the net worth and wealth of corporates and individuals of Hong Kong and China. The risk appetites for corporate investments and business expansion are expected to become more risk averse. Since the outbreak of the US-China trade conflicts in the second half of 2018, we have noticed that there has been a change in market confidence of some of our clients. If the conflicts sustain or escalate, we believe the impact on the Group's business would become more apparent.

As to landscape architecture segment, despite a possible slowdown in obtaining new design contracts, the Group has obtained the Category A of Specific Landscape Engineering Design Qualification in landscape architecture from the Ministry of Housing and Urban-Rural Development of the PRC in January 2019, which allows the Group to undertake specific landscape engineering design without restriction over project type or scale. Before obtaining the Category A Qualification, the Group only held the Category B of Specific Landscape Engineering Design Qualification (the "Category B Qualification") (風景園林工程設計專項乙級資質) in landscape architecture. The upgrade from Category B Qualification to the Category A Qualification will enhance the Group's ability to undertake sizable landscape projects, in particular the large-scale municipal and government sectors projects. In the past, infrastructure and public open space projects only represented the second largest segment in terms of landscape architecture revenue, which contributed around 20-30% of the Group's revenue in the sector. We believe the upgrade can have positive financial impact by increasing the Group's exposure to this segment. The obtaining of the Category A Qualification will also enhance the Group's reputation in the market.

As to catering segment, in 2019 the Group will continue to focus on the development of Thai Gallery Group. Despite relatively high CAPEX and depreciation/amortization along the launch of new restaurants, the Group will further streamline the management and operations of the four Thai Gallery restaurants. In addition, the Group will strengthen its marketing efforts, enhance the quality of good and introduce new food recipe to attract high-end customers. On the other hand, the Group will leverage the popularity and reputation of Thai Gallery brand to select feasible locations to launch new Thai Gallery restaurants.

2019 will be full of uncertainties as well as opportunities. The Directors believe the above measures and joint efforts of our management and staff can broaden the revenue streams of the Group and will have overall improvements in 2019. The Directors will continue to explore new business and investment opportunities that may generate additional income to the Group.

MATERIAL ACQUISITION AND DISPOSAL

Acquisition

In January 2018, the Group entered into an agreement to acquire 100% issued share capital of Think High Global Limited at a consideration of HK$692,000,000, through which our Group will have an opportunity to invest in the graphene business. Graphene is known as the thinnest materials in the world but 200 times stronger than steel. Graphene is a superb electrical and thermal conductor. The PRC contains second largest amount of graphite resource among other countries. It counts around 33% of the graphite in the world. In 2016, the "13th FYP" National Strategic Emerging Industry Plan stated the Chinese government will support the application of graphite to achieve industrial scale through increased funding and the establishment of innovation alliances and specialized industry bases. Pursuant to the acquisition agreement, the vendor agreed to guarantee to the Company that the audited consolidated profit after tax (according to Hong Kong Financial Reporting Standards) of the target group for each of the three years ending 31 December 2021 shall not be less than HK$35,000,000. The aforesaid acquisition was passed by the Company's shareholders at the EGM held on 11 January 2019. The acquisition is still in progress and targeted to be completed in 2019. Further details are set out in the Company's announcements dated 31 January 2018, 23 February 2018, 30 April 2018, 31 May 2018, 29 June 2018, 31 August 2018, 28 September 2018, 24 October 2018, 7 December 2018, 19 December 2018 and 11 January 2019; and circular dated 19 December 2018.

Disposal

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

During the year, the Group also disposed 25% of equity interest in Shanghai Teddy Friends Investment Management Limited, which represented an investment in associate of the Group and recorded a gain of approximately HK$3.8 million.

Saved for the above, the Group had no material acquisition and disposal during the year ended 31 December 2018.

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 2018. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. 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 2018.

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

During the year ended 31 December 2018, 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 annual results for the year ended 31 December 2018 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, 29 May 2019 to Monday, 3 June 2019, 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, 3 June 2019. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong ("**Branch Share Registrar**") not later than 4:30 p.m. on Tuesday, 28 May 2019.

FINAL DIVIDEND

The Board does not recommend the payment of any final divided in respect for the year ended 31 December 2018.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, Certified Public Accountants ("**Ernst & Young**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

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, 29 March 2019

As at the date of this announcement, the executive Directors are Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross, Mr. Tian Ming, Mr. Yang Liu and Mr. Qiu Bin; the non-executive Director is Mr. Ma Lida; and the independent non-executive Directors are Ms. Tam Ip Fong Sin, Mr. Wong Wang Tai and Mr. Wang Yuncai.