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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Revenue increased to approximately HK$110.4 million for the six months ended 30 June 2014, representing an increase of approximately 2.0%, as compared with that of approximately HK$108.2 million for the same period in 2013.

- Gross profit increased to approximately HK$61.9 million for the six months ended 30 June 2014, representing an increase of approximately 3.0%, as compared with that of approximately HK$60.1 million for the same period in 2013.

- Gross profit margin increased by approximately 0.6 percentage point to approximately 56.1% for the six months ended 30 June 2014, as compared with that of approximately 55.5% for the same period in 2013.

- Profit attributable to owners of the Company decreased to approximately HK$7.1 million for the six months ended 30 June 2014, representing an decrease of approximately 67.3%, as compared with that of approximately HK$21.7 million for the same period in 2013.

- Net profit margin decreased by approximately 13.3 percentage point to approximately 6.7% for the six months ended 30 June 2014, as compared with that of approximately 20.0% for the same period in 2013.

- Earnings per share for the six months ended 30 June 2014 decreased to approximately HK$2.3 cents as compared with that of approximately HK$7.6 cents for the six months ended 30 June 2013.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014, together with the comparative unaudited figures for the corresponding period in 2013 which have been reviewed by the independent auditor, Ernst & Young, and audit committee of the Company as follows:

OTHER INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3,4*	**110,390**	108,244
Cost of sales		**(48,497)**	(48,190)
GROSS PROFIT		**61,893**	60,054
Other income and gains	*4*	**6,310**	5,656
Selling and distribution costs		**(3,620)**	(3,235)
Administrative expenses		**(30,221)**	(26,217)
Finance costs		**(26)**	(29)
Other expenses		**(15,787)**	(4,148)
PROFIT BEFORE TAX	*5*	**18,549**	32,081
Income tax	*6*	**(11,118)**	(10,425)
PROFIT FOR THE PERIOD		**7,431**	21,656
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,020)**	(717)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**6,411**	20,939
Profit attributable to:			
Owners of the parent		**7,075**	21,730
Non-controlling interests		**356**	(74)
		7,431	21,656
Total comprehensive income attributable to:			
Owners of the parent		**6,059**	21,014
Non-controlling interests		**352**	(75)
		6,411	20,939
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
– For profit for the period (Hong Kong cents)	*8*	**2.3**	7.6

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Goodwill	13	**3,111**	–
Property, plant and equipment	9	**5,471**	5,963
Intangible assets		**2,463**	1,542
Deposits		**2,092**	1,333
Deferred tax assets		**4,361**	3,989
Total non-current assets		**17,498**	12,827
CURRENT ASSETS			
Amounts due from customers for contract works		**75,523**	64,056
Trade receivables	10	**44,099**	48,069
Prepayments, deposits and other receivables		**10,533**	11,487
Amounts due from a shareholder	14	**6**	–
Amounts due from a director	14	**4**	52
Tax recoverable		**1,779**	1,833
Cash and bank balances		**133,592**	64,364
Total current assets		**265,536**	189,861
CURRENT LIABILITIES			
Trade payables	11	**990**	1,130
Other payables and accruals		**16,884**	29,216
Interest-bearing other borrowings		**–**	184
Amounts due to customers for contract works		**53,834**	59,641
Tax payable		**27,841**	22,833
Total current liabilities		**99,549**	113,004
NET CURRENT ASSETS		**165,987**	76,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**183,485**	89,684
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,783**	3,482
Interest-bearing other borrowing		**–**	296
Total non-current liabilities		**2,783**	3,778
NET ASSETS		**180,702**	85,906
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	**4,000**	–
Reserves		**176,132**	85,715
		180,132	85,715
Non-controlling interests		**570**	191
TOTAL EQUITY		**180,702**	85,906

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company								
	Issued capital HK$'000	Share premium* HK$'000	Capital reserve* HK$'000	Statutory reserve* HK$'000	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	–	–	5	1,975	4,567	79,168	85,715	191	85,906
Profit for the year	–	–	–	–	–	7,075	7,075	356	7,431
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	(1,016)	–	(1,016)	(4)	(1,020)
Total comprehensive income for the year	–	–	–	–	(1,016)	7,075	6,059	352	6,411
Acquisition of a subsidiary	–	–	–	–	–	–	–	1	1
Capitalisation issue	3,000	(3,000)	–	–	–	–	–	–	–
Issue of shares	1,000	122,384	–	–	–	–	123,384	–	123,384
Dividend	–	–	–	–	–	(35,000)	(35,000)	–	(35,000)
Transfer from retained profits	–	–	–	131	–	(157)	(26)	26	–
At 30 June 2014 (Unaudited)	4,000	119,384	5	2,106	3,551	51,086	180,132	570	180,702
At 1 January 2013	–	–	5	1,975	3,060	56,390	61,430	–	61,430
Profit for the year	–	–	–	–	–	21,730	21,730	(74)	21,656
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(716)	–	(716)	(1)	(717)
Total comprehensive income for the year	–	–	–	–	(716)	21,730	21,014	(75)	20,939
Capital injection from a non-controlling interest	–	–	–	–	–	–	–	318	318
At 30 June 2013 (Unaudited)	–	–	5	1,975	2,344	78,120	82,444	243	82,687

* These reserve accounts as at 30 June 2014 comprise the consolidated reserves of HK$176,132,000 (31 December 2013: HK$85,715,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**6,646**	14,130
Net cash flows used in investing activities	**(1,752)**	(1,411)
Net cash flows from financing activities	**63,400**	217
Net increase in cash and cash equivalents	**68,294**	12,927
Cash and cash equivalents at beginning of period	**64,364**	27,854
Effect of foreign exchange rate changes, net	**934**	(641)
Cash and cash equivalents at end of period	**133,592**	40,140

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company and the subsidiaries were mainly engaged in the provision of landscape architecture services in Hong Kong and the Mainland China. There were no significant changes in the nature of the Group's principal activity since 1 January 2014 up to the date of this announcement.

2. BASIS OF PREPARATION AND CHANGE OF PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial information for the six months ended 30 June 2014 (the "Interim Financial Information") has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's accountants report as set out in the Company's prospectus dated 12 June 2014.

Pursuant to the Reorganisation as more fully explained in the sub-section headed "Our Corporate Development – Reorganisation" in the section headed "History, Development and Reorganisation" in the Company's prospectus dated 12 June 2014 in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company incorporated Earthasia Holdings Limited ("EA BVI"), a company incorporated in the British Virgin Islands, on 27 November 2013 which further acquired the entire shares in Earthasia (International) Limited, the holding company of then companies now comprising the Group, in consideration and in exchange for 5,000 shares in EA BVI.

The consolidated statement of profit or loss and comprehensive income, changes in equity and cash flows of the Group for the period are prepared as if the current group structure was in existence throughout the period or since the respective dates of incorporation/establishment of the relevant entities, where there is a shorter period, except for EA Group International, Inc which was acquired in January 2014. Pursuant to the Reorganisation in November 2013, the Company, EA BVI were incorporated and interspersed between Earthasia (International) Limited and its then shareholders and became the holding company Earthasia (International) Limited and its then subsidiaries. Accordingly, these financial statements have been prepared by applying the principles of pooling of interest as if the Reorganisation had been completed at the beginning of 1 January 2013, except for EA Group International, Inc., which was acquired on 2 January 2014.

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

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2013, except for the adoption of certain new standard and amendments effective as of 1 January 2014.

In the current period, the Group has applied, for the first time, below new standard and amendments issued by the HKICPA that are mandatorily effective for the current interim period.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
IFRIC 21 Levies

The application of the new standard and amendments in the current interim period has had no material effect on the amounts reported in the interim condensed consolidated financial statements and/or disclosures set out in the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functioned currency of the Company.

3. REVENUE AND 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

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.

Segment assets include trade receivables and amounts due from contract customers but exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities include trade payables, other payables and accruals, amounts due to contract customers but exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the periods ended 30 June 2013 and 2014.

Period ended 30 June 2014 (Unaudited)

	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	**46,959**	**29,058**	**23,610**	**10,763**	**110,390**
Segment results	**25,589**	**19,352**	**11,029**	**5,161**	**61,131**
Reconciliations:					
Unallocated income					**6,330**
Unallocated expense					**(48,886)**
Finance costs					**(26)**
Profit before tax					**18,549**

Period ended 30 June 2013 (Unaudited)

	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	53,520	15,729	29,783	9,212	108,244
Segment results	29,435	7,960	16,623	4,045	58,063
Reconciliations:					
Unallocated income					5,717
Unallocated expense					(31,670)
Finance costs					(29)
Profit before tax					32,081

30 June 2014 (Unaudited)

	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 assets	**52,471**	**27,507**	**29,260**	**10,384**	**119,622**
Reconciliations:					
Unallocated assets					**163,412**
Total assets					**283,034**
Segment liabilities	**35,750**	**6,676**	**9,899**	**3,279**	**55,604**
Reconciliations:					
Unallocated liabilities					**46,728**
Total liabilities					**102,332**

31 December 2013 (Audited)

	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 assets	50,375	16,749	35,084	9,917	112,125
Reconciliations:					
Unallocated assets					90,563
Total assets					202,688
Segment liabilities	39,414	5,522	15,340	4,001	64,277
Reconciliations:					
Unallocated liabilities					52,505
Total liabilities					116,782

30 June 2014 (Unaudited)

	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*
Other segment information					
Impairment of provision of trade receivables	**324**	**201**	**163**	**74**	**762**
Unallocated:					
Depreciation and amortisation					**1,864**
Capital expenditure*:					
Unallocated					**2,141**

30 June 2013 (Unaudited)

	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*
Other segment information					
Impairment of provision of trade receivables	1,299	222	423	47	1,991
Unallocated:					
Depreciation and amortisation					1,656
Capital expenditure*:					
Unallocated					1,471

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of service contracts and the value of services rendered during the period.

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Service contracts	**110,390**	108,244
Other income		
Service income	**5,824**	3,075
Interest income	**293**	60
Government grants	**99**	2,496
	6,216	5,631
Gains		
Foreign exchange gain	**94**	14
Others	**–**	11
	6,310	5,656

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of services provided	**48,497**	48,190
Depreciation	**1,501**	1,345
Amortisation of intangible assets	**363**	311
Minimum lease payments under operating leases of buildings	**6,787**	6,060
Auditors' remuneration	**991**	197
Employee benefit expense		
– Wages and salaries	**12,928**	11,561
– Pension scheme contributions and welfare	**2,693**	2,767
– Welfare and other benefits	**863**	801
Foreign exchange gains, net	**(94)**	(14)
Impairment of provision of trade receivables	**762**	1,991
Interest income	**293**	60
Loss on disposal of items of property and equipment	**–**	24
Expenses related to the listing of the Company's shares*	**14,857**	–

* Share issue expenses is related to the expenses incurred for the listing of the Company's shares on the Stock Exchange.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. The Company's subsidiaries in Mainland China are subject to corporate income tax of 25%.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong:		
Charge for the year	**42**	–
Upderprovision in prior years	**211**	–
Current – Mainland China:	**10,269**	9,180
Deferred	**596**	1,245
Total tax charge for the period	**11,118**	10,425

7. DIVIDEND

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim	**35,000**	–

Pursuant to a resolution of the general meeting of shareholders on 14 January 2014, the Company declared a dividend of HK$35,000,000 which was paid on 13 June 2014. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the interim period. As described in note 1, the Company was incorporated on 25 November 2013 for the purpose of acting as the holding company of the subsidiaries of the Group. In order to provide comparative financial information, the calculation of the basic earnings per share for the six months ended 30 June 2013 is based on the assumption that the Company had been set up throughout the six months ended 30 June 2013 and the capitalisation issue of 286,971,494 shares has been effective since 1 January 2013.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**7,075**	21,730

	Number of shares For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period	**301,670,145**	286,981,494

The Group had no potentially dilutive ordinary shares in issue during the periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property and equipment at a cost of approximately HK$837,000.

	For the six months ended 30 June 2014 (Unaudited) *HK$'000*
At 1 January	**5,963**
Additions	**837**
Acquisition of a subsidiary	**269**
Depreciation	**(1,501)**
Disposal	**–**
Exchange alignment	**(97)**
At 30 June	**5,471**

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance normally required. The credit period is in general two months.

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

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Within 6 months	**35,820**	42,031
Over 6 months but within 1 year	**1,827**	4,285
Over 1 year but within 2 years	**5,494**	1,112
Over 2 years	**958**	641
	44,099	48,069

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

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
	HK$'000	*HK$'000*
Neither past due nor impaired	**23,988**	33,809
Less than 30 days past due	**6,686**	3,745
30 to 120 days past due	**5,146**	4,477
121 to 300 days past due	**1,827**	4,285
Over 300 days past due	**6,452**	1,753
	44,099	48,069

11. TRADE PAYABLES

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

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
	HK$'000	*HK$'000*
Within 1 year	**868**	928
Over 1 year but within 2 years	**29**	108
Over 2 years but within 3 years	**10**	28
Over 3 years	**83**	66
	990	1,130

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

12. ISSUED CAPITAL

Shares	No. of shares	
	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Authorised		
Ordinary shares of HK$0.01 each	**780,000,000**	38,000,000

Issued and fully paid	**30 June 2014 (Unaudited)**		31 December 2013 (Audited)	
	No. of shares	***HK$***	No. of shares	*HK$*
Ordinary shares of HK$0.01 each	**400,000,000**	**4,000,000**	10,000	100

	No. of issued and fully paid shares	Nominal value of shares *HK$'000*	Share premium *HK$'000*
As at 1 January 2014	10,000	–	–
Issue of shares *(note (a))*	454	–	15,000
Capitalisation issue *(note (b))*	299,989,546	3,000	(3,000)
Issue of new shares *(note (c))*	100,000,000	1,000	107,384
As at 30 June 2014	400,000,000	4,000	119,384

Notes:

(a) On 16 January 2014, pursuant to an investment agreement dated 9 December 2013 and a subscription agreement dated 9 December 2013, PBLA Limited acquired 3,100 shares of HK$0.01 each from the shareholders of the Company and subscribed for 454 new shares of HK$0.01 each at considerations of HK$91,850,000 and HK$15,000,000.

(b) On 3 June 2014, the authorised share capital of the Company was increased to 780,000,000 shares of HK$0.01 each by the creation of additional 742,000,000 shares of HK$0.01 each. Conditional on the share premium account of the Company being credited as a result of the Company's global offering, the directors were authorised to capitalise HK$2,999,895.46 standing to the credit of the Company's share premium account towards paying up in full at par of 299,989,546 shares of the Company of HK$0.01 each.

(c) In 25 June 2014, 100,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$1.2 per share by the Company for a total consideration HK$120,000,000, resulting in a share premium of HK$119,000,000 before netting off share issue cost of HK$11,616,000 upon global offering of the Company.

13. ACQUISITION OF A SUBSIDIARY

On 2 January 2014, the Group acquired 99.95% of ordinary shares of EA Group International, Inc. ("EAM") at a cash consideration of PHP999,500 (equivalent to HK$174,000). EAM is engaged in design and drawing support services to the major operating subsidiaries of the Group in the Mainland China and Hong Kong.

The fair value of the identifiable assets and liabilities of EAM as at the date of acquisition were as follows:

	HK$'000
Property and equipment	269
Deferred tax assets	21
Deposits	194
Cash and cash equivalents	270
Other payables and accruals	(3,670)
Tax payable	(22)
Total identifiable net liabilities at fair value	(2,938)
Non-controlling interest	1
	(2,937)
Goodwill on acquisition	3,111
Satisfied by cash	174

The goodwill is attributable to the acquired workforces and the synergies expected to arise from the acquired business.

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

	HK$'000
Cash consideration	(174)
Cash and cash equivalents acquired	270
Net inflow of cash and cash equivalents included in cash flows from investing activities	96

Since the acquisition, EAM did not contribute any to the Group's revenue and incurred a loss of HK$42,000 to the Group for the period ended 30 June 2014.

14. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in the Interim Financial Information. The Group had the following transactions with related parties during the six months ended 30 June 2014:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(a) Transaction with related parties:		
Payment of expenses on behalf of Pubang Landscape Architecture Company Limited (广州普邦园林股份有限公司) ("Pubang")	**6**	–
Rental expenses to directors **		
Andross Chan	**254**	304
Tian Ming	**234**	304

** The Group entered into lease agreements with Andross Chan to lease certain properties. The rent has been agreed mutually between the Group and Andross Chan.

The Group entered into lease agreements with Tian Ming to lease certain properties. The rent has been agreed mutually between the Group and Tian Ming.

(b) Balances with related parties:

	2014	2013
Amount due from a shareholder:		
Pubang	**6**	–
Amounts due from directors:		
Andross Chan	**–**	52
Michael John Erickson	**4**	–

The amounts due from a shareholder and a director are unsecured, interest-free and repayable on demand.

Tian Ming executed personal guarantee for the interest-bearing other borrowing to the Group at 31 December 2013 to the extent of HK$480,000 at nil consideration.

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**5,049**	4,712
Pension scheme contributions	**197**	101
Total compensation paid to key management personnel	**5,246**	4,813

15. EVENT AFTER THE REPORTING PERIOD

On 30 July 2014, Earthasia (Shanghai) Co., Ltd. ("EA Shanghai"), an indirect wholly-owned subsidiary of the Company, and Pubang entered into a cooperation agreement, pursuant to which (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) (or any of its subsidiaries) all or part of its landscape projects that required landscape architecture services; and (ii) refer to Earthasia (Shanghai) (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) (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.

As one or more of the applicable percentage ratio(s) for the proposed annual caps for the transactions contemplated under the cooperation agreement is/are expected to be higher than 5% and the annual consideration is expected to be higher than HK$10 million, the cooperation agreement, the transactions contemplated thereunder and the proposed annual caps are subject to the reporting, announcement, annual review and shareholders' approval requirements under Chapter 14A of the Main Board Listing Rules Governing the Listing of The Stock Exchange of Hong Kong Limited. An extraordinary general meeting of the Company is scheduled to be held on 8 September 2014 for independent shareholders approval of the aforesaid transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's business model and revenue and cost structure has remained unchanged since the Listing Date up to the date of issue of this interim results 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 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) tourism and hotels projects; (ii) infrastructure and public open spaces projects; (iii) commercial and mixed-use development projects; and (iv) residential development projects.

For the six months ended 30 June 2014, the Group entered into 120 new contracts with a total contract sum of approximately HK$170.9 million for projects located in the PRC and 17 new contracts with a total contract sum of approximately HK$10.5 million for projects located in Hong Kong and others. Approximately 94.2% of the new contract sum represented projects located in the PRC and approximately 5.8% represented projects located in Hong Kong and others. As at 30 June 2014, the Group had backlog contract sum of approximately HK$513.9 million.

On 30 July 2014, Earthasia (Shanghai) Co., Ltd. ("EA Shanghai"), an indirect wholly-owned subsidiary of the Company, and Pubang entered into a cooperation agreement, pursuant to which (a) Pubang (or any of its subsidiaries) may (i) subcontract to Earthasia (Shanghai) (or any of its subsidiaries) all or part of its landscape projects that required landscape architecture services; and (ii) refer to Earthasia (Shanghai) (or any of its subsidiaries) clients which require landscape architecture services; and (b) Earthasia (Shanghai) (or any of its subsidiaries) may (i) subcontract to Pubang (or any of its subsidiaries) all or part of its landscape projects that are not related to landscape architecture (including but not limited to landscape construction, landscape maintenance and garden nursery); and (ii) refer to Pubang (or any of its subsidiaries) clients which require landscape services that are not related to landscape architecture. The Directors consider that the entering into of the cooperation agreement allows both Pubang and the Group to (i) enhance the revenue of their specialised business through the securing of relevant business from subcontracting and referrals; (ii) generate revenue from subcontracting fees and referral fees from business which they are not specialised in; and (iii) expand their business and client networks. Proposed annual caps of HK$80 million, HK$120 million and HK$140 million for each of the three years ended 31 December 2014, 2015 and 2016 respectively are being sought from shareholders' approval in the extraordinary general meeting to be held on 8 September 2014. Details of the proposed cooperation with Pubang were set out in the announcement of the Company dated 30 July 2014 and the circular dated 21 August 2014.

Financial Review

Revenue

Revenue increased to approximately HK$110.4 million for the six months ended 30 June 2014, representing an increase of approximately 2.0%, as compared with that of approximately HK$108.2 million for the same period in 2013. The increase was mainly attributable to the increase in number of new contracts and new contract sum compared with the same period in 2013.

Cost of services

Cost of services increased to approximately HK$48.5 million for the six months ended 30 June 2014, representing an increase of approximately of 0.6%, as compared with that of approximately HK$48.2 million for the same period in 2013. The increase was mainly driven by the corresponding increase in direct labour costs and labour hours in providing landscape architecture services.

Gross profit and gross profit margin

Gross profit increased to approximately HK$61.9 million for the six months ended 30 June 2014, representing an increase of approximately of 3.0%, as compared with that of approximately HK$60.1 million for the same period in 2013.

Gross profit margin increased by approximately 0.6 percentage point to approximately 56.1% for the six months ended 30 June 2014, as compared with that of approximately 55.5% for the same period in 2013.

Administrative and other expenses

Administrative and other expenses increased to approximately HK$30.2 million and HK$15.8 million respectively for the six months ended 30 June 2014, representing an increase of approximately of 15.3% and 276.2%, as compared with that of approximately HK$26.2 million and HK$4.2 million for the same period in 2013. The increase was primarily attributable to (i) the increase in staff costs as a result of increase in average salary and headcount and (ii) increase in legal and professional expenses of approximately HK$14.9 million in connection to the listing of the Company in the first half of 2014, of which approximately HK$11.7 million represented the estimated remaining listing expenses disclosed in the prospectus of the Company dated 12 June 2014.

Profit

As a result of the foregoing, profit attributable to owners of the Company decreased to approximately HK$7.1 million for the six months ended 30 June 2014, representing an decrease of approximately 67.3%, as compared with that of approximately HK$21.7 million for the same period in 2013.

Net profit margin decreased by approximately 13.3 percentage points to approximately 6.7% for the six months ended 30 June 2014, as compared with that of approximately 20.0% for the same period in 2013.

Liquidity and Financial Resources

	As at 30 June 2014 *HK$'000*	As at 31 December 2013 *HK$'000*
Current assets	**265,536**	189,861
Current liabilities	**99,549**	113,004
Current ratio	**2.7x**	1.7x

The current ratio of the Group at 30 June 2014 was approximately 2.7 times as compared to that of approximately 1.7 times at 31 December 2013. It was mainly resulted from the net proceeds raised from the global offer and a decrease in accruals and other payables due to completion of investment by Pubang.

At 30 June 2014, the Group had total cash and bank balances of approximately HK$133,592,000 (31 December 2013: HK$64,364,000).

At 30 June 2014, the Group's gearing ratio (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% amounted to approximately 0% (31 December 2013: 0.6%).

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2014.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

Capital Structure

The Company's shares were successfully listed on Main Board on 25 June 2014. There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement. The capital of the Group only comprises ordinary shares.

Foreign Exchange Exposure

Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi. As at 30 June 2014, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Employees and Remuneration Policies

As at 30 June 2014, the Group employed around 483 (31 December 2013: 460) 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 our employees. Our employee benefits include mandatory provident fund, employee pension schemes in the PRC, contributions to social security system, medical coverage, insurance, training and development programs and options that may be granted under the share option scheme which was approved by the shareholders of the Company on 3 June 2014.

On 21 August 2014, the Company has adopted the Share Award Scheme. The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme was set out in the announcement of the Company dated 21 August 2014.

Outlook

The successful listing on the Stock Exchange is a key milestone of the Company. The Group's accumulated experience, clients relationship and enhanced reputation are valuable assets. Looking forward, the Group will maximize its shareholders' value by enhancing its leading position in the landscape architecture services industry by strengthening existing markets and exploring new business opportunities with potential clients. The Directors believe that the new extension of geographic coverage through the establishment of branch offices and increase in number of staff could enhance the Group's capacity to undertake new client and for new business development.

Apart from above, the Group will from time to time look for acquisition opportunity in order to capture larger market shares given the landscape architecture service industry is fragmented in the PRC market.

After the listing of the shares of the Company on the Main Board of the Stock Exchange, the Directors intend to apply the net proceeds from the listing to finance the Group's capital expenditure and business expansion, strengthen its capital base and improve the overall financial position of the Group. The Directors intend to apply such net proceeds from the listing on (i) financing the planned capital expenditure in relation to expansion of the Group's scope of services; (ii) financing the planned capital expenditure in relation to the establishment of new regional offices in the PRC; (iii) financing the establishment of branch offices in relation to expansion of business coverage into other regions of the PRC; (iv) strengthening the sales and advertising efforts; and (v) for general working capital purposes.

Material Acquisitions and Disposals

Pursuant to the Reorganisation in preparation of the Listing, the Company became the holding company of the Group formed after the completion of the Reorganisation. Details of the Reorganisation was set out in the paragraph headed "Corporate Reorganisation" in Appendix IV to the prospectus of the Company dated 12 June 2014.

Save as the aforesaid, during the six months ended 30 June 2014, the Group had no material acquisitions and disposals of subsidiaries.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code since the Listing Date up to the date of this announcement.

Compliance With Corporate Governance Code

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 (the "CG Code") Code contained in Appendix 14 to the Listing Rules since the Listing Date up to the date of this announcement.

Audit Committee

The Company has established an audit committee which comprises three independent non-executive Directors and one non-executive Director, namely, Mr. Wong Wang Tai, Mr. Tam Ip Fong Sin, Mr. Wang Yuncai and Mr. Ma Lida. Mr. Wong Wang Tai is the chairman of the audit committee. The terms of reference of the audit committee comply with the code provisions of the CG Code. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

Remuneration Committee

The remuneration committee of the Board comprises three independent non-executive Directors and one executive Director, namely, Mr. Wong Wang Tai, Mr. Wang Yuncai, Ms. Tam Ip Fong Sin and Mr. Chan Yick Yan Andross. Mr. Wong Wang Tai is the chairman of the remuneration committee. The terms of reference of the remuneration committee comply with the code provisions of the CG Code. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the Directors and senior management and providing advice and recommendations to the Board.

Nomination Committee

The nomination committee of the Board comprises two independent non-executive Directors and one executive Director, namely, Mr. Wang Yuncai, Ms. Tam Ip Fong Sin and Mr. Lau Hing Tat Patrick. Mr. Lau Hing Tat Patrick is the chairman of the nomination committee. The terms of reference of the nomination committee comply with the code provisions of the CG Code. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

Directors' and Chief Executives Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (iii) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:–

Long position in the shares of the Company

Name of Director	Capacity/nature of interest	Number of shares of the Company	Approximate percentage of shareholding interests of the Company
Mr. Chan Yick Yan Andross	Interest in a controlled corporation *(Note 1)*	132,006,887	33.0%
Mr. Lau Hing Tat Patrick	Interest in a controlled corporation *(Note 2)*	66,003,444	16.5%

Notes:

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

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

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

As at 30 June 2014, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long position in the shares of the Company

Name	Capacity/nature of interest	Number of shares of the Company	Approximate percentage of shareholding interests of the Company
CYY Holdings Limited *(Note 1)*	Beneficial owner	132,006,887	33.0%
PBLA Limited *(Note 2)*	Beneficial owner	101,989,669	25.5%
Pubang Landscape Architecture (HK) Company Limited *(Note 2)*	Interest in a controlled corporation	101,989,669	25.5%
Pubang *(Note 2)*	Interest in a controlled corporation	101,989,669	25.5%
Mr. Tu Shan Zhong *(Note 2)*	Interest in a controlled corporation	101,989,669	25.5%
LSBJ Holdings Limited	Beneficial owner	66,003,444	16.5%

Notes:

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

2. PBLA Limited is 100% beneficially owned by Pubang Landscape Architecture (HK) Company Limited, which is in turn 100% beneficially owned by Pubang. Mr. Tu Shan Zhong is interested in 34.4% of the equity interest of Pubang. Accordingly, each of Pubang Landscape Architecture (HK) Company Limited, Pubang and Mr. Tu Shan Zhong is deemed to be interested in the Shares held by PBLA Limited under the SFO.

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

Director's Interests in Contracts

Each of the executive Directors has entered into a service agreement with the Company. The terms and conditions of each of such service agreements are similar in all material aspects and are briefly described as follows:–

(a) Each service agreement is for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until it is terminated by the executive Director by giving to the Company not less than three months' notice in writing at any time after such initial fixed term or by the Company giving to the executive Director not less than three months' prior notice in writing at any time after the date of agreement.

(b) The annual remuneration (including director's fee, basic salary, allowance, non-cash benefit and retirement scheme contribution) for the year ending 31 December 2014 payable to Mr. Lau Hing Tat Patrick, Mr. Chan Yick Yan Andross and Mr. Tian Ming under their respective service agreements will be approximately HK$2,400,000, HK$2,800,000 and HK$2,300,000 respectively.

(c) Each of the executive Directors may be entitled to, if so recommended by the remuneration committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Director provided that the aggregate amount of bonuses payable to all the executive Directors in respect of any financial year shall not exceed 5% of the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items attributable to the Shareholders for the relevant financial year.

(d) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the remuneration payable to himself.

Each of the non-executive Directors has entered into a service agreement with the Company under which each of them is appointed for a period of three years commencing from the Listing Date. The annual director's fee payable to Mr. Michael John Erickson under his letter of appointment is HK$1,900,000 whereas the same payable to each of Mr. Ma Lida and Ms. Huang Yaping under their respective letter of appointment is HK$600,000. Each of the independent non-executive Directors has entered into a service agreement with the Company under which each of them is appointed for a period of one year commencing from the Listing Date. The annual director's fee payable to each of Ms. Tam Ip Fong Sin, Mr. Wong Wang Tai and Mr. Wang Yuncai under their respective letter of appointment shall be HK$120,000. Save for the annual director's fees mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at 30 June 2014 or at any time during the six months ended 30 June 2014.

Director's Interest in Competing Interests

Save as Mr. Ma Lida and Ms. Huang Yaping, our non-executive Directors nominated by Pubang, whom are required to declare their conflict of interests and barred from participation or voting on issue if there is any potential conflict of interest between the Group and Pubang, the Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 June 2014.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was conditionally approved and adopted by the Company on 3 June 2014 and the Share Option Scheme became effective on 25 June 2014. During the six months ended 30 June 2014, there is no option granted under the Share Option Scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Review of Interim Results

The Group's unaudited interim results for the six months ended 30 June 2014 have been reviewed by the audit committee and the auditor of the Company in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 that adequate disclosures have been made.

Publication of Interim Results Announcement and Interim 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. An interim report for the six months ended 30 June 2014 will be available on the above websites in due course.

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

Hong Kong, 28 August 2014

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.