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 2016

The board (the "**Board**") of directors (the "**Directors**") of Earthasia International Holdings Limited (the "**Company**") is pleased to announce the unaudited interim consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016, together with the comparative unaudited figures for the corresponding period in 2015 which have been reviewed by the audit committee of the Company as follows:

FINANCIAL HIGHLIGHTS

Results		**Six months ended 30 June**		
		2016	2015	Change
Revenue	*HK$'000*	**103,238**	120,118	-14.1%
Gross profit	*HK$'000*	**57,508**	58,889	-2.3%
Net profit attributable to owners of the parent	*HK$'000*	**3,627**	13,677	-73.5%
Profit margin	%	**3.5**	11.4	-7.9pt
Basic earnings per share attributable to ordinary equity holders of the parent	*HK cents*	**0.9**	3.5	-74.3%

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**103,238**	120,118
Cost of services provided		**(45,730)**	(61,229)
GROSS PROFIT		**57,508**	58,889
Other income and gains	*4*	**4,248**	7,899
Selling and marketing expenses		**(5,106)**	(5,421)
Administrative expenses		**(44,732)**	(40,458)
Other expenses		**(3,633)**	(2,671)
Finance costs		**(47)**	(145)
Share of loss of a joint venture		**(209)**	–
Share of loss of an associate		**(865)**	–
PROFIT BEFORE TAX	*5*	**7,164**	18,093
Income tax expense	*6*	**(3,639)**	(5,102)
PROFIT FOR THE PERIOD		**3,525**	12,991
Attributable to:			
Owners of the parent		**3,627**	13,677
Non-controlling interests		**(102)**	(686)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit for the period		**HK0.9 cents**	HK3.5 cents
Diluted			
– For profit for the period		**HK0.9 cents**	HK3.5 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**3,525**	12,991
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,442)**	(309)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,083**	12,682
Attributable to:		
Owners of the parent	**2,196**	13,367
Non-controlling interests	**(113)**	(685)
	2,083	12,682

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 (Unaudited)** *HK$'000*	31 December 2015 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Goodwill		**3,111**	3,111
Property and equipment		**4,749**	5,625
Intangible assets		**4,734**	5,555
Prepayment and deposits		**1,341**	888
Investment in a joint venture		**–**	4,277
Investment in an associate		**8,082**	–
Available-for-sale investment		**2,864**	2,864
Deferred tax assets		**5,278**	5,289
Total non-current assets		**30,159**	27,609
CURRENT ASSETS			
Amounts due from customers for contract works		**72,144**	64,624
Trade and bills receivables	*9*	**61,918**	56,758
Prepayments, deposits and other receivables		**31,694**	23,014
Available-for-sale investment		**–**	23,864
Tax recoverable		**3,324**	3,235
Pledged deposit		**–**	30,000
Cash and bank balances		**56,133**	94,805
Total current assets		**225,213**	296,300
CURRENT LIABILITIES			
Trade payables	*10*	**1,979**	3,624
Other payables and accruals		**13,860**	30,358
Interest-bearing bank and other borrowings	*11*	**45**	30,644
Amounts due to customers for contract works		**12,506**	17,356
Tax payable		**27,969**	30,029
Dividend payable		**–**	108
Total current liabilities		**56,359**	112,119
NET CURRENT ASSETS		**168,854**	184,181
TOTAL ASSETS LESS CURRENT LIABILITIES		**199,013**	211,790

	Notes	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Finance lease payable	*11*	**–**	299
Retirement benefit obligations		**468**	405
Deferred tax liabilities		**4,923**	4,592
Total non-current liabilities		**5,391**	5,296
NET ASSETS		**193,622**	206,494
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**4,200**	4,200
Treasury shares		**(88)**	(140)
Other reserves		**189,067**	201,895
		193,179	205,955
Non-controlling interests		**443**	539
TOTAL EQUITY		**193,622**	206,494

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

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

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature of each new standard or amendment is described below:

IFRS 14	*Regulatory Deferral Accounts*
Amendments to IFRS 11	*Joint Arrangements: Accounting for Acquisitions of Interests*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012 – 2014 Cycle	*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; IFRS 7 Financial Instruments: Disclosures; IAS 19 Employee Benefit; IAS 34 Interim Financial Reporting*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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 cost, as well as head office and corporate income and expenses are excluded from such measurement.

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

Segment liabilities include other payables and accruals, and amounts due to customers for contract works but exclude 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 and profit information for the Group's operating segments for the six months ended 30 June 2016 and 2015.

Six months ended 30 June 2016 (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	**45,931**	**31,716**	**22,245**	**3,346**	**103,238**
Segment results	**26,019**	**15,236**	**12,206**	**2,164**	**55,625**
Reconciliations:					
Unallocated income					**4,248**
Unallocated expenses					**(51,588)**
Share of losses of:					
A joint venture					**(209)**
An associate					**(865)**
Finance costs					**(47)**
Profit before tax					**7,164**

Six months ended 30 June 2015 (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	57,606	28,792	19,782	13,938	120,118
Segment results	30,505	10,486	10,445	5,469	56,905
Reconciliations:					
Unallocated income					7,899
Unallocated expenses					(46,566)
Finance costs					(145)
Profit before tax					18,093

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2016 and 31 December 2015.

30 June 2016 (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	**66,823**	**35,359**	**25,679**	**6,201**	**134,062**
Reconciliations:					
Unallocated assets					**121,310**
Total assets					**255,372**
Segment liabilities	**4,317**	**2,745**	**6,030**	**1,044**	**14,136**
Reconciliations:					
Unallocated liabilities					**47,614**
Total liabilities					**61,750**

31 December 2015 (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	62,140	25,939	26,222	7,081	121,382
Reconciliations:					
Unallocated assets					202,527
Total assets					323,909
Segment liabilities	7,434	2,865	6,416	1,535	18,250
Reconciliations:					
Unallocated liabilities					99,165
Total liabilities					117,415

The following tables present other segment information for the Group's operating segments for the six months ended 30 June 2016 and 2015.

Six months ended 30 June 2016 (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 for trade and bills receivables	**1,280**	**595**	**143**	**(135)**	**1,883**
Unallocated:					
Depreciation and amortisation					**1,869**
Capital expenditure*:					
Unallocated					**412**

Six months ended 30 June 2015 (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 for trade and bills receivables	(194)	2,080	(488)	586	1,984
Unallocated:					
Depreciation and amortisation					2,439
Capital expenditure*:					
Unallocated					3,945

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Service contracts	**103,238**	120,118
Other income		
Service income	**1,558**	3,707
Interest income	**2,100**	518
Government grants	**114**	3,026
	3,772	7,251
Gains		
Payables written back	**404**	–
Gain on disposal of a subsidiary	**61**	–
Gain on disposal of items of property and equipment	**11**	–
Foreign exchange gains	**–**	648
	476	648
	4,248	7,899

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

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of services provided	**45,730**	61,229
Depreciation	**1,032**	1,704
Amortisation of intangible assets	**837**	735
Research and development costs: Current period expenditure	**3,535**	3,726
Minimum lease payments under operating leases	**6,814**	4,161
Auditors' remuneration	**651**	795
Employee benefit expense		
– Wages and salaries	**42,448**	47,816
– Equity-settled share award plan expense	**3,730**	1,818
– Equity-settled share option expense	**4,253**	–
– Pension scheme contributions	**6,203**	6,873
– Pension scheme cost (defined benefit scheme)	**66**	–
– Welfare and other benefits	**3,170**	3,589
	59,870	60,096
Foreign exchange differences, net	**933**	(648)
Impairment of provision for trade and bills receivables	**1,883**	1,984
Impairment of provision for deposits and other receivables	**–**	116
Interest income	**(2,100)**	(518)
Gain on disposal of items of property and equipment	**(11)**	–
Gain on disposal of a subsidiary	**(61)**	–

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

泛亞景觀設計(上海)有限公司, a subsidiary of the Company, was granted with the High and New Technology Enterprises qualification on 27 February 2015 and is entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2014 (six months ended 30 June 2015: 15%).

前海泛亞景觀設計(深圳)有限公司, a subsidiary of the company, is entitled to a preferential corporate income tax rate of 15% (six months ended 30 June 2015: 15%) on the estimated assessable profits as its main principal activities, namely interior design and landscape, are recognised as encouraged industries in Qianhai district, Shenzhen in Mainland China.

Other subsidiaries located in Mainland China were subject to the statutory corporate income tax rate of 25% for the period (six months ended 30 June 2015: 25%) under the income tax rules and regulations in the People's Republic of China ("PRC").

EA Group International, Inc, a subsidiary of the Company located in the Philippines, was subject to the income tax rate of 30% on the estimated taxable income during the period (six months ended 30 June 2015: 30%).

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**1,430**	1,606
Current – Mainland China	**1,978**	4,770
Current – the Philippines	**7**	94
	3,415	6,470
Deferred	**224**	(1,368)
Total tax charge for the period	**3,639**	5,102

7. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend (six months ended 30 June 2015: Nil) for the six months ended 30 June 2016.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 390,689,652 (six months ended 30 June 2015: 385,301,000) in issue during the period, as adjusted to reflect the shares repurchased for the purpose of awarding shares to eligible person under share award scheme during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2016 in respect of a dilution as the impact of the share option plan had an anti-diluted effect on the basic earnings per share presented.

The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2015. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**3,627**	13,677

	Number of shares For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**390,689,652**	385,301,000
Effect of dilution – weighted average number of ordinary shares:		
share awarded	**–**	1,117,449
	390,689,652	386,418,449

9. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**79,752**	73,084
Impairment	**(17,834)**	(16,326)
	61,918	56,758

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

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

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Within 6 months	**37,903**	40,980
Over 6 months but within 1 year	**14,450**	8,596
Over 1 year but within 2 years	**6,718**	6,177
Over 2 years	**2,847**	1,005
	61,918	56,758

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

	For the six months ended 30 June 2016 (Unaudited) *HK$'000*
At 1 January	16,326
Impairment during the period *(note 5)*	1,883
Exchange alignment	(375)
At 30 June	17,834

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$15,496,000 (31 December 2015: HK$15,404,000) with a carrying amount before provision of HK$16,017,000 (31 December 2015: HK$15,404,000).

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

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

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Neither past due nor impaired	**28,205**	31,273
Less than 30 days past due	**2,812**	2,324
30 to 120 days past due	**2,643**	5,687
121 to 300 days past due	**708**	3,172
Over 300 days past due	**1,168**	2,056
	35,536	44,512

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

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

10. TRADE PAYABLES

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

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Within 1 year	**1,735**	2,955
Over 1 year but within 2 years	**121**	575
Over 2 years but within 3 years	**45**	–
Over 3 years	**78**	94
	1,979	3,624

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

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Analysed into:		
Bank loan repayable:		
On demand	**–**	30,000
	–	30,000
Other borrowings repayable:		
Within one year	**45**	644
In the second year	**–**	299
	45	943
	45	30,943

Note:

The Group's bank loan is secured by the pledge of certain of the Group's time deposit amounting to HK$30,000,000 as at 31 December 2015. The Group repaid the loan in January 2016.

The Group's bank loan bore interest at 1.7% per annum over the Hong Kong Inter Bank Offered Rate or the interest rate of supporting deposit plus 1% per annum. whichever is higher.

The carrying amount of the bank loan approximated to its fair value.

12. SHARE CAPITAL

Shares

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Issued and fully paid		
420,000,000 (2015: 420,000,000) ordinary shares	**4,200**	4,200

13. EVENTS AFTER THE REPORTING PERIOD

On 27 April 2016, 泛亞景觀設計(廣州)有限公司, a subsidiary of the Company, had cancelled its business license in Guangzhou Administration for Industry & Commerce. The whole cancellation procedures have not finished till the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The first half of 2016 was a challenging period to the Group due to the economic slowdown and weakened property market in the PRC.

During the reporting period, the Group continued to undertake the four major types of landscape architecture projects which can be categorised into (i) residential development projects; (ii) infrastructure and public open space projects; (iii) commercial and mixed-use development projects; and (iv) tourism and hotel projects.

For the six months ended 30 June 2016, residential development projects continued to be the largest segment in terms of revenue, which accounted for approximately 44.5% (six months ended 30 June 2015: 48.0%) of the total revenue of the Group. Infrastructure and public open space projects represented the second largest segment in terms of revenue, which accounted for approximately 30.7% (six months ended 30 June 2015: 24.0%) of the total revenue of the Group.

For the six months ended 30 June 2016, the Group entered into 84 new contracts with a total contract sums of approximately HK$80.2 million.

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

Financial Review

Revenue

Revenue decreased to approximately HK$103.2 million for the six months ended 30 June 2016, representing a decrease of approximately 14.1%, as compared with that of approximately HK$120.1 million for the same period in 2015. The decrease was mainly attributable to (i) the slowdown of residential property development projects from property developer clients, and (ii) decrease in number of new contracts and new contract sum compared with the same period in 2015.

Cost of services

Cost of services decreased to approximately HK$45.7 million for the six months ended 30 June 2016, representing a decrease of approximately 25.3%, as compared with that of approximately HK$61.2 million for the same period in 2015. The decrease was generally in line with the decrease in revenue as a result of the decrease in headcount of the number of employees of the Group.

Gross profit and gross profit margin

Gross profit decreased to approximately HK$57.5 million for the six months ended 30 June 2016, representing a decrease of approximately 2.3%, as compared with that of approximately HK$58.9 million for the same period in 2015.

Gross profit margin increased by approximately 6.7 percentage points to approximately 55.7% for the six months ended 30 June 2016, as compared with that of approximately 49.0% for the same period in 2015.

Administrative and other expenses

Administrative and other expenses increased to approximately HK$48.4 million for the six months ended 30 June 2016, representing an increase of approximately of 12.1%, as compared with that of approximately HK$43.1 million for the same period in 2015. The increase was primarily attributable to the increase in equity-settled share award plan expense and the one-time recognition of equity-settled share option expense.

Net profit

As a result of the foregoing, profit attributable to owners of the Company decreased to approximately HK$3.6 million for the six months ended 30 June 2016, representing a decrease of approximately 73.5%, as compared with that of approximately HK$13.7 million for the same period in 2015.

Profit margin decreased by approximately 7.9 percentage points to approximately 3.5% for the six months ended 30 June 2016, as compared with that of approximately 11.4% for the same period in 2015.

Liquidity and financial resources

	As at 30 June 2016 HK$'000	As at 31 December 2015 HK$'000
Current assets	**225,213**	296,300
Current liabilities	**56,359**	112,119
Current ratio	**4.0**	2.6

The current ratio of the Group at 30 June 2016 was approximately 4.0 times as compared to that of approximately 2.6 times at 31 December 2015.

At 30 June 2016, the Group had total cash and bank balances of approximately HK$56.1 million (31 December 2015: HK$94.8 million).

At 30 June 2016, the Group's gearing ratio (represented by total interest-bearing bank and other borrowings at the end of the period divided by total equity at the end of the respective period multiplied by 100%) amounted to approximately zero (31 December 2015: 15.0%).

Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2016.

Pledge of assets

The Group had no significant pledge of assets as at 30 June 2016.

Foreign exchange exposure

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

Human resources and employees' remuneration

As at 30 June 2016, the Group employed around 376 employees (31 December 2015: 428 employees). Employees are remunerated according to nature of the job, market trend, and individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned.

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

A share option scheme (the "Share Option Scheme") was adopted by the Company on 3 June 2014 and became effective on 25 June 2014. During the six months ended 30 June 2016, there was 14,290,000 share options granted (2015: nil) under the Share Option Scheme.

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

Prospects

The first half of 2016 was challenging due to slowdown in the PRC economy, weakened property market, fluctuation of stock market and devaluation of RMB. Traditional industries in the PRC have been facing overcapacity. Quite a number of our property developer clients has slowed down the pace of property development projects. There was decrease in number of new contracts as well as contract sum awarded to the Group. The Group has also faced prolonged payment cycle for our PRC projects.

It is very likely that the second half of 2016 will still be challenging to the Group as the PRC continued to experience lower rates of growth whilst the Hong Kong economy also showed signs of weakness. In response to the challenging market environment, the Group will strengthen its marketing team and increase its marketing efforts in bidding new contracts. The Group will continue to leverage its brand, client relationship and industry experience to secure new landscape architecture projects. Besides, the Directors will pay close attention to the cost structure and resources utilization of the Group. As part of a risk management policy, the Group will closely monitor the payment terms of our projects as well as the credit worthiness of our clients.

Use of Proceeds

On 25 June 2014, the actual net proceeds raised from the initial public offering were approximately HK$88.8 million, after deduction of all actual underwriting commission, fees and expenses relating to the listing of the Company's shares. The Directors applied the net proceeds to finance the Group's capital expenditure in accordance with those stated in the prospectus of the Company. Up to 30 June 2016, (i) approximately HK$35.1 million was used to increase the registered capital of Earthasia (Shanghai) Co. Ltd., a principal operating subsidiary of the Company, from US$0.5 million to US$5 million in preparation for further establishment of new regional offices and branch offices to expand the business coverage in the PRC, (ii) approximately HK$6.3 million was used for the acquisition of equity interest in a PRC landscape company, and (iii) approximately HK$8.9 million was used for general working capital purpose.

On 10 July 2015, the Company completed a placing of an aggregate of 20,000,000 new Shares to not less than six independent placees at a placing price of HK$1.05 per Share. The net proceeds arising from the placing was approximately HK$20 million, which will be used to finance future investment opportunities to be identified by the Company and/or as general working capital of the Group. Up to 30 June 2016, (i) approximately HK$5.47 million was used for developing and operating eco-tourism business and (ii) approximately HK$4.0 million was used for supporting the trading business, (iii) approximately HK$2.86 million was used for investing in approximately 7.41% equity interest in an available-for-sale investment, namely Shenzhen Qianhai Lendbang Internet Financial Services Limited (深圳市前海邦你貸互聯網金融服務有限公司), which is an associate of Pubang principally engaged in the peer-to-peer ("**P2P**") internet financial services business, and (iv) approximately HK$7.7 million was used for general working capital purpose.

The unused net proceeds arising from the above fund raising activities have been placed as interest bearing deposits with banks in Hong Kong or the PRC.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "GC Code") stated in Appendix 14 to the Listing Rules during the six months ended 30 June 2016. The Company reviews its corporate governance practices regularly to ensure compliance with the GC Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

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

During the six months ended 30 June 2016, 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 2016 have been reviewed by the audit committee of the Company that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

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. The interim report for the six months ended 30 June 2016 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, 30 August 2016

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.