EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Zeng Li *(Chairman)*
Mr. Winerthan Chiu *(Chief Executive Officer)*
Mr. Chan Ka Lun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wan Tze Fan Terence
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

COMPANY SECRETARY
Mr. Chan Tai Wah Calvin

AUTHORISED REPRESENTATIVES
Mr. Winerthan Chiu
Mr. Chan Tai Wah Calvin

PRINCIPAL BANKERS
Hong Kong
Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
United Overseas Bank Limited
Singapore
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS
Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDIT COMMITTEE
Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

REMUNERATION COMMITTEE
Ms. Yang Yan Tung Doris *(Chairman)*
Mr. Winerthan Chiu
Mr. Wan Tze Fan Terence

NOMINATION COMMITTEE
Mr. Zeng Li *(Chairman)*
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

REGISTERED OFFICE
P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Wan Chai, Hong Kong

AUDITOR
BDO Limited

WEBSITE
http://www.elasialtd.com

STOCK CODE
936

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

The revenue from continuing operations of the Group, including the construction equipment and the exocarpium citri grandis cultivation businesses, recorded a total of approximately HK$190.3 million, representing a decrease of approximately 8.0% comparing to approximately HK$206.8 million in 2017. The Group recorded a profit for the year of approximately HK$11.6 million compared to a loss for the year of HK$7.7 million in 2017 and loss for the year attributable to the owners of the Company was recorded at approximately HK$42.7 million compared to approximately HK$47.4 million in 2017.

The global economic growth was recorded at 3.0% in 2018, while Hong Kong economy expanded by 3.0% in 2018, compared with the growth for 3.8% for 2017; Singapore's gross domestic product ("GDP") slowed to 3.2% in 2018, compared with 3.6% in 2017 and; the economy of People's Republic of China (the "PRC") recorded a growth of 6.6% in 2018. Faced with the slow down of economic growth in both Hong Kong and Singapore, and the intense price competition and change of customers' demand to choose rental over purchase of new tower cranes, our construction equipment business recorded further decrease in revenue in the year under review.

Regarding the Group's business in cultivation, research, processing and sale of exocarpium citri grandis (化橘紅), a Chinese herbal medicine, and its seedlings in Huazhou City, Guangdong Province, the PRC, 廣東大合生物科技股份有限公司 (for identification purpose, in English, Guangdong Dahe Biological Technologies Limited) ("Guangdong Dahe") was awarded as "Leading Enterprise" by the Guangdong Forestry Bureau of the PRC in December 2017. As at 31 December 2018, the scale of exocarpium citri grandis cultivation business operated by Guangdong Dahe is among one of the biggest in Huazhou City with over 96,800 fruit trees on the total area of woodlands of 2,151.36 mu. With its edge in respect of resources and experience in the cultivation of exocarpium citri grandis, Guangdong Dahe is expected to provide a stable source of supply of the exocarpium citri grandis to meet with the growth of market demand and in turn providing a stable income stream to the Group.

Looking ahead, the Group will continue to strengthen and expand its exocarpium citri grandis cultivation business in the PRC, monitor and exercise its best effort in formulating appropriate strategy in its construction equipment business in both Hong Kong and Singapore. On the other hand, the Group will also continue to gear up to explore new business opportunities in the market and expand our business scope which aim to contribute a satisfying returns to the Shareholders in the long run.

The performance of the Company is contributed by the dedicated efforts of our management and staff and the strong support from all sectors of the business community. On behalf of the board of directors (the "Board" or the "Director(s)") of the Company, I would like to express our sincere appreciation to all the Company's stakeholders for your support over the years and look forward to your continued support for the future.

Zeng Li
Chairman

Hong Kong
21 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Overall performance

For the year ended 31 December 2018, the Group generated revenue from continuing operations of approximately HK$190.3 million (2017: approximately HK$206.8 million) with a profit for the year from continuing operations of approximately HK$11.6 million (2017: a loss of approximately HK$8.0 million). Revenue from discontinued operation in the previous year recorded approximately HK$38.7 million with a profit from discontinued operation of approximately HK$0.3 million.

Business Review

The Group recorded revenue from sales of dried exocarpium citri grandis ("Dried Fruits") of approximately HK$82.0 million, which represented a decrease of approximately 8.2% compared to that of 2017. Such decrease was mainly due to the decrease in average selling price of the Dried Fruits upon the implementation of categorisation of Dried Fruits in 2018. The revenue recorded were contributed by 廣東大合生物科技股份有限公司 (for identification purpose, in English, Guangdong Dahe Biological Technologies Limited) ("Guangdong Dahe"), an indirect subsidiary of the Company, which is principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis, a Chinese herbal medicine, and its seedlings in Huazhou City, Guangdong Province, the PRC. Guangdong Dahe operates with over 96,800 fruit trees of exocarpium citri grandis on a total area of woodlands of 2,151.36 mu as at 31 December 2018, which is among one of the biggest cultivation business in its industry in Huazhou City.

Revenue from sales of machinery of approximately HK$10.2 million was recorded for the year under review which represented a decrease of approximately 64.1% compared to 2017. The decrease in machinery sales was mainly due to the persistently low monthly rental rates which encourage the Group's customers to choose rental over purchase of new tower cranes. Furthermore, both the Hong Kong and Singapore markets continue to shift towards the use of tower cranes with heavier lifting capacity to accommodate the adoption of pre-cast and pre-fabricated construction method but the manufacturer's new product that is suitable for heavier lifting was not available until late 2018. With regard to used cranes sale, the introduction of legal age restriction in Korea and the continuous softening of the Korean construction market in 2018 have led to the decrease in demand for used crane from our Korean customers.

Rental income from leasing of machinery decreased from approximately HK$56.5 million to approximately HK$49.8 million for the year under review, representing a decrease of approximately 12.0% year over year mainly due to the lingering of rental rates at a relatively low level throughout 2018.

Revenue from both sales of spare parts and service income recorded an increase of approximately 76.1% and 42.8% for the year under review to approximately HK$9.5 million and HK$38.8 million, respectively. The increases were mainly contributed by the significant increase in Hong Kong market's sale of certain spare parts to its customers and the provision of erection, climbing and dismantling services according to the project schedule during the year under review.

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Results for the year

As detailed in the section headed "Business Review" above, the Group recorded a profit from continuing operations of approximately HK$11.6 million (2017: a loss from continuing operations of approximately HK$8.0 million and a profit from discontinued operation of approximately HK$0.3 million).

For the year ended 31 December 2018, the Group's other income and gains from continuing operations amounted to approximately HK$7.8 million, representing a decrease of approximately 36.6% compared to that of 2017. The decrease was mainly attributable to the decrease in exchange gain and the absence of the one-off gain on early settlement of promissory note payable in 2017.

The Group's property, plant and equipment amounted to approximately HK$489.1 million, representing a decrease of approximately 4.3% compared to that of 2017. The depreciation charges included in cost of sales and services and other operating expenses, and staff costs included in cost of sales and services and administrative expenses from the continuing operations for the year under review increased by approximately HK$0.6 million and HK$1.6 million, respectively, as compared to the amounts for the previous year.

Finance costs from continuing operations amounted to approximately HK$37.8 million for the year ended 31 December 2018, representing a decrease of approximately 24.2% compared to that of 2017. Finance costs from discontinued operation amounted to approximately HK$0.6 million for the year ended 31 December 2017.

Liquidity and Financial Resources

The Group held cash and cash equivalents of approximately HK$120.5 million as at 31 December 2018 (2017: approximately HK$152.6 million).

The total equity of the Group decreased to approximately HK$482.4 million as at 31 December 2018 (2017: approximately HK$496.0 million).

As at 31 December 2018, the Group had net current liabilities of approximately HK$18.1 million (2017: approximately HK$14.0 million).

Capital Structure

As at 31 December 2018, the Company had a total of 1,060,000,000 issued shares (the "Shares", each, a "Share") at HK$0.01 each. There was no change in the share capital of the Company during the year.

Investment Position and Planning

During the year under review, the Group spent approximately HK$51.4 million for acquisition of plant and equipment (2017: approximately HK$63.6 million).

Pursuant to the resolution passed in the board of management's meeting of Manta-Vietnam Construction Equipment Leasing Limited ("Manta-Vietnam"), an indirect 67% owned subsidiary of the Company, dated 10 January 2013, the board of management resolved to liquidate Manta-Vietnam (the "Liquidation"). As at the date of this report, the Liquidation is still in process.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the written resolutions passed by the board of directors of Vast Bloom Investment Limited ("Vast Bloom"), an indirect 51% owned subsidiary of the Company, dated 21 June 2018, the board of directors resolved to deregister (the "Deregistration") 深圳前海化橘紅生物科技有限公司 (for identification purpose, in English, Shenzhen Qianhai Exocarpium Citri Grandis Biological Technologies Limited), a wholly owned subsidiary of Vast Bloom, which is a wholly foreign-owned enterprise incorporated in the PRC, it was an inactive company. The Deregistration is completed on 20 September 2018.

On 29 June 2018, a subsidiary of the Group entered into a conditional sale and purchase of the sale shares agreement (the "Agreement") with two independent third parties (the "Purchasers"), who are also the bond holders, in relation to the disposal of Hover Ascend Limited ("Hover Ascend"), a subsidiary of the Group (the "Disposal").

Upon completion of reorganisation and immediately before completion, as set out in the Agreement, the Hover Ascend would become the holding company of the subsidiaries, principally engaged in Construction Equipment Business. According to the Agreement, the consideration which shall be paid by the Purchasers shall be set off against the outstanding principal amount of the bonds payable and the outstanding accrued interest thereon up to 30 June 2018 upon completion of the Agreement.

The Purchasers agreed, confirmed and undertook that notwithstanding the bonds set out in note 29 having fallen due on 30 June 2018, in consideration of the Agreement, the Purchasers acknowledged that no repayment of the bonds nor payment of interests accrued thereon shall be required, and such delay in payment should not be considered as an event of default under the terms and conditions of the bonds, unless the Agreement is terminated before completion of the Agreement. The Purchasers further agreed, confirmed and undertook that all interests accrued on the bonds from 1 July 2018 onwards shall be waived upon completion of the Agreement.

Pursuant to the Agreement, if the conditions are not fulfilled or waived on or before 31 August 2018 or such other time and date as the Group and the Purchasers may agree, the Agreement shall cease and determine. As at 31 August 2018, the condition precedents of the Agreement had not been fulfilled or waived (if applicable), the Agreement had lapsed and the Disposal was not proceeded.

On the even date, the outstanding principal amount of the bonds payable together with interest accrued up to the date of repayment, which amounted to approximately HK$175,600,000 in aggregate, had been fully repaid by the Group.

Further details of the Disposal are set out in the Company's announcement dated 31 August 2018.

Material Acquisition or Disposal of Subsidiary

Save as disclosed elsewhere in this report, the Group had no material acquisition or disposal of subsidiaries during the year under review.

Gearing

The Group monitors capital using a gearing ratio, which is total debts (sum of carrying amounts of shareholder's loans, bank borrowings, and finance lease payables) divided by total equity. As compared to that of 2017, the gearing ratio as at 31 December 2018 was increased to 0.5 (2017: 0.4), mainly due to the drawdown of shareholder's loans for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Group Assets and Contingent Liabilities

The Group's banking facilities were secured by a building of the Group carried at cost with aggregated carrying amounts of approximately HK$33.4 million (2017: secured by a building of the Group carried at cost and with aggregated carrying amount approximately HK$35.7 million).

Exchange Rate Exposure

As at 31 December 2018, more than half of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from our rental operations in Singapore was primarily denominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro or United States dollar. Revenue and purchases in our cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the PRC are denominated in Renminbi. For foreign currency purchases, hedging arrangements to hedge against foreign exchange fluctuations may be entered. However, no hedging arrangement was undertaken for revenue generated from our Singapore and PRC operations.

Treasury Policies

The Group generally finances its ordinary operations with internally generated resources, banking facilities or shareholder's loan. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates.

Contingent Liabilities

As at 31 December 2018, the Group and the Company did not have any significant contingent liabilities (2017: Nil).

Commitments

As at 31 December 2018, the Group had total capital commitments of approximately HK$2.6 million related to the acquisitions of property, plant and equipment (2017: approximately HK$0.8 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 118 (2017: 121) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospects

Regarding the Group's business in cultivation, research, processing and sales of exocarpium citri grandis, a Chinese herbal medicine, and its seedlings in Huazhou City, the PRC, the Group will continue to share its resources in overall management, marketing and distribution network for business development, as well as exercise its best efforts in formulating strategy as to strengthen the business by expanding its scale as well as its income base.

In view of the continuing promotion of exocarpium citri grandis as a local featured product by the local government of Huazhou City, the Group expects the demand of exocarpium citri grandis will continue to increase, and with the edge of Guangdong Dahe, in respect of its resources and experience in its cultivation business, the Group will continue to increase the production volume of fresh fruits of exocarpium citri grandis by expanding its plantation area and planting additional bearer plants on its existing Woodlands.

Moreover, in response to the initiative of the local government to promote the agricultural industry including the proper use of exocarpium citri grandis, the Group is establishing additional seedling bed for producing seedlings for sale to local farmers in Huazhou City, which may generate additional revenue for the Group as well as promoting the cultivation and expanding the market of exocarpium citri grandis.

As the exocarpium citri grandis produced by the Group is currently sold as agricultural products, in order to broaden the income base of the Group, the Group is in the process of setting up production workshops for the pre-processing of exocarpium citri grandis. Upon setting up the production workshops and purchasing relevant equipments, application for the food production licence will be made to relevant authorities in the PRC which is necessary for processing and sale of exocarpium citri grandis as food products. On the other hand, the Group will continue to formulate and implement its future development plans, including the setting up of research and development team to perform various researches in expanding its product line using exocarpium citri grandis as main ingredient.

Regarding the Group's construction equipment business in Singapore, the Building and Construction Authority continues to anticipate a healthy construction demand for the year 2019. It was projected that the total construction demand will range from S$27 billion to S$32 billion, which falls within the range of the actual construction demand of S$30.5 billion in 2018. The public sector continues to be the major contributor accounting for around 60% of the demand.

The Singapore public sector is committed to the adoption of the DfMA (Design for Manufacturing & Assembly) approach for construction in which the Prefabricated Prefinished Volumetric Construction (PPVC) methodology accounts for 36 out of 71 DfMA projects projected in 2019-2020. As PPVC requires the use of tower cranes with higher lifting capacity ("large cranes"), the market has shifted the focus and the battlefield to those large cranes. Our manufacturer has rolled out a new model Potain MCT565 in late 2018 which is suitable for certain PPVC projects. The Group are currently evaluating the investment economics of this new model and may procure certain units for rent in both Singapore and Hong Kong.

As a result of the shift of battlefield to large cranes in Singapore and coupled with the numerous erection of the medium capacity cranes during the first half of 2018, we see that the rental rates of medium capacity cranes have picked up during the fourth quarter of 2018. It is expected that such rental rates improvement momentum will continue in 2019. Nonetheless the Group are still cautious about the sustainability of this rebound of the rental rate as we view them a mere cyclical upward movement driven by a relatively shorter term (12 months period) supply and demand gap.

MANAGEMENT DISCUSSION AND ANALYSIS

The 2017-18 construction expenditure in Hong Kong was HK$266.5 billion and it is expected to grow to between HK$245 billion and HK$295 billion in the year 2018-19. Construction demands appear to remain sustainable over the next few years according to the Construction Industry Council forecast.

Similar to that in Singapore, the construction industry in Hong Kong, driven mainly by the Housing Authority, is studying the Modular Integrated Construction approach which is very similar to the PPVC projects. It is therefore expected that the tower crane rental market in Hong Kong will follow the Singapore pattern of shifting to the use and rental of large cranes in the coming years.

As previous discussed, the more stringent technical requirements on the safety use of tower cranes, including the stricter compliance of Code of Practice on Wind Effects in Hong Kong and the need to install a secondary braking system will be popularized in the construction sector. We expect that such technical requirements will lead to additional capital expenditure to retrofit or to equip our existing cranes with the necessary technical specifications and parts.

As a result of the shift to the large cranes in both markets, the Group will continue to review its tower crane fleet and dispose of certain aged tower cranes or tower cranes with smaller lifting capacity as part of our rental fleet streamlining strategy.

Passenger hoist rental in Hong Kong continues to be in high demand and the Group have recorded a satisfactory utilization and commitment rate in the year under review. The Group will continue to strengthen its passenger hoist fleet and its operations and service levels to cater for the increased demand.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zeng Li, aged 51, is the chairman of the Board (the "Chairman"). Mr. Zeng was appointed as an executive Director and Chairman on 22 December 2014 and 23 December 2014 respectively. He is also the chairman of the nomination committee of the Company (the "Nomination Committee") and a director of certain subsidiaries of the Company.

Mr. Zeng has over 20 years of working experience in the securities and finance industry in the PRC. He is the sole beneficial owner and the sole director of Harbour Luck Investments Limited ("Harbour Luck"), a controlling shareholder of the Company. Mr. Zeng graduated from Shenzhen University majoring in international finance trade. He is a member of The Hong Kong Institute of Directors.

Mr. Zeng is an uncle of Mr. Chan Ka Lun, an executive Director.

Mr. Winerthan Chiu, aged 63, is the chief executive officer (the "Chief Executive Officers") of the Company. Mr. Chiu was appointed as an executive Director and Chief Executive Officer on 22 December 2014 and 12 September 2018 respectively. Mr. Chiu is also a member of the remuneration committee of the Company (the "Remuneration Committee"), an authorised representative of the Company under each of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and a director of certain subsidiaries of the Company.

Mr. Chiu has over 29 years of experience in investment and corporate management. Mr. Chiu was an executive director of China Primary Energy Holdings Limited (stock code: 8117), a company listed on the Growth Enterprise Market of the Stock Exchange, from March 2004 to July 2008. Mr. Chiu graduated from a university with a bachelor's degree in 1982. He is a fellow member of The Hong Kong Institute of Directors.

Mr. Chan Ka Lun, aged 31, was first appointed as a non-executive Director on 22 December 2014 and re-designated as an executive Director with effect from 1 July 2015 and is a director of certain subsidiaries of the Company.

Mr. Chan has 4 years of working experience in the securities and finance industry. He worked in the securities operations sector, involving in bond and equity capital markets, in China Securities (International) Finance Holding Company Limited from 2013 to 2014. Prior to that, Mr. Chan was employed by Fulbright Financial Group, responsible for securities settlement and customer relationship from 2010 to 2013. Mr. Chan graduated from The Hong Kong University of Science and Technology with a Bachelor's degree in industrial engineering and engineering management in 2010. He is a member of The Hong Kong Institute of Directors.

Mr. Chan is a nephew of Mr. Zeng Li, an executive Director and the Chairman.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Tze Fan Terence, aged 54, was appointed as an independent non-executive Director on 22 December 2014. Mr. Wan is also the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Remuneration Committee.

Mr. Wan holds a bachelor degree of commerce and a master degree of business administration. He has years of experience in accounting and financial management and has worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. He is also a fellow member of The Hong Kong Institute of Directors. Mr. Wan is also an executive director of Sino Oil and Gas Holdings Limited (stock code: 702) and an independent non-executive director of China Primary Energy Holdings Limited (stock code: 8117), both of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Tsui Robert Che Kwong, aged 65, was appointed as an independent non-executive Director on 22 December 2014. Mr. Tsui is also a member of each of the Audit Committee and the Nomination Committee.

Mr. Tsui has over 30 years of experience as practising solicitor in Hong Kong. Mr. Tsui is the founder and owner of Robert C.K. Tsui & Co., Solicitors, a law firm established in 1990. He was admitted to the Law Society of Hong Kong in 1985 and qualified to practise law in Anguilla, Caribbean in 2005. He is also a fellow member of The Hong Kong Institute of Directors. Mr. Tsui is currently an independent non-executive director of Chinney Kin Wing Holdings Limited (stock code: 1556), a company listed on the main board of the Stock Exchange. Mr. Tsui was also an executive director of Landing International Development Limited (stock code: 582, formerly known as "Greenfield Chemical Holdings Limited"), a company listed on the main board of the Stock Exchange, from November 2007 to November 2009. He was also an independent non-executive director of APAC Resources Limited (stock code: 1104, formerly known as "Shanghai Merchants Holdings Limited") and Gome Finance Technology Co., Ltd. (stock code: 628, formerly known as "Sino Credit Holdings Limited" and "Dore Holdings Limited"), from July 2004 to November 2007 and from August 2004 to July 2009 respectively, both of which are listed on the main board of the Stock Exchange.

Ms. Yang Yan Tung Doris, aged 49, was appointed as an independent non-executive Director on 22 December 2014. Ms. Yang is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Ms. Yang has over 20 years of experience in handling company secretarial and internal control matters of listed companies in Hong Kong. She is a fellow member of The Hong Kong Institute of Chartered Secretaries ("HKICS") with practitioner's endorsement and a fellow member of The Institute of Chartered Secretaries and Administrators ("ICSA"). She was awarded the Chartered Governance Professional qualification of HKICS and ICSA. Ms. Yang is an associate member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. She held the Certificate in Risk Management Assurance designation granted by The Institute of Internal Auditors. Ms. Yang is currently a director of Bloomy Corporate Consultant Limited, a company mainly engaged in providing company secretarial and management consultancy services; Ms. Yang was an independent non-executive director of Tongfang Kontafarma Holdings Limited (stock code: 1312, formerly known as "Allied Cement Holdings Limited"), a company listed on the main board of the Stock Exchange, from December 2011 to July 2014. Ms. Yang graduated from University of Leicester, England with a Bachelor of Science (Economics) and obtained her Master of Science from the Chinese University of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chan Tai Wah Calvin, aged 38, is the chief financial officer (the "Chief Financial Officer") and the company secretary (the "Company Secretary") of the Company. Mr. Chan is primarily responsible for the accounting, finance and company secretarial matters of the Group. He joined the Group as the Group Financial Controller on 22 July 2013 and was appointed as the Company Secretary and the Chief Financial Officer on 1 July 2015 and 12 September 2018 respectively. He is also a director of certain subsidiaries of the Company. Mr. Chan has over 15 years of experience in accounting, auditing and corporate advisory services. Prior to joining the Group, he was an audit manager of a major international accounting firm in Hong Kong. Mr. Chan obtained his Bachelor Degree in Business Administration (major in Accountancy) from City University of Hong Kong. He is a practising fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Accountants in England and Wales and a member of The Hong Kong Institute of Directors.

Mr. Lo Chun Fai, aged 52, is the executive director of principal subsidiaries of the Company in Hong Kong and Singapore (the "Manta Group"). Mr. Lo joined Manta Group on 1 January 2013 and is primarily responsible for the overall management functions of Manta Group's operations. He spent 7 years with PricewaterhouseCoopers Hong Kong in providing consulting services to a wide range of corporate clients investing in the PRC. Subsequent to this, Mr. Lo held various senior management positions in various industries and organisations. Prior to joining Manta Group, he was the finance director of Quality HealthCare Medical Services Limited. Mr. Lo obtained his Bachelor Degree in Economics (major in Accounting and Finance) from Monash University, Australia. He is a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the Year were (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery; and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings. Details of the principal activities of the subsidiaries are set out in note 38 to the consolidated financial statements.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, principal risks and uncertainties that the Group may be facing, and a discussion on the Group's future development are set out in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 9 of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is set out in the Five-Year Financial Summary on pages 161 to 162 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. Employees are provided a fair and safe workplace where they can maintaining a healthy work-life balance, remunerated equitably and competitively, and provided continuing training and development opportunities to equip them to deliver their best performance and achieve corporate goals. The Group has devoted effort to build up the customers trust on its services and products by listening their views and opinions, and maintaining high product quality. The Group has maintained good working relationships with suppliers to meet our customers' needs in an effective and efficient manner.

During the Year, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance are set out in the Environmental, Social and Governance Report on pages 34 to 54 of this annual report.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The financial performance of the Group for the Year and the financial position of the Group as at 31 December 2018 are set out in the consolidated financial statements on pages 60 to 160 of this annual report.

The Directors do not recommend the payment of any dividend for the Year (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 35 to the consolidated financial statements and the consolidated statement of changes in equity on page 64 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company did not have a reserve available for distribution. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$346.8 million as at 31 December 2018, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus Shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the sales attributable to the Group's five largest customers was approximately 44% with the largest customer accounted for approximately 13%; the purchase attributable to the Group's five largest suppliers was approximately 45% with the largest supplier accounted for approximately 16%.

Neither the Directors, any of their close associates (as defined in the Listing Rules) nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the number of the Company's issued shares) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors
Mr. Zeng Li *(Chairman)*
Mr. Winerthan Chiu *(Chief Executive Officer)*
Mr. Chan Ka Lun

Independent non-executive Directors
Mr. Wan Tze Fan Terence
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

In accordance with article 108 of the Articles, Mr. Winerthan Chiu and Mr. Wan Tze Fan Terence shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company (the "AGM").

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of its independent non-executive Directors in respect of their independence during the Year pursuant to rule 3.13 of the Listing Rules and all of them are still being considered to be independent.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Zeng Li, Mr. Winerthan Chiu and Mr. Chan Ka Lun, executive Directors, has entered into a service agreement with the Company for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. The service agreements of Mr. Zeng Li and Mr. Winerthan Chiu commenced on 22 December 2014 and each of their service agreements had been renewed on 22 December 2018. The service agreement of Mr. Chan Ka Lun commenced on 1 July 2015 and had been renewed on 1 July 2017.

REPORT OF THE DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. All letters of appointment commenced on 22 December 2014 and had been renewed on 22 December 2018.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at every annual general meeting in accordance with the Articles.

Save as disclosed above, none of the Directors who are proposed for re-election at the AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board by reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 16 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in relation thereto.

During the Year and up to the date of this report, the Company maintained liability insurance for the Directors to protect them from any loss to which they might be liable arising from their actual or alleged misconduct. A permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for indemnity liabilities incurred by the Directors to a third party.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 27 and 43(a) to the consolidated financial statements, none of the Directors nor any of their respective connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group, to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party during or at the end of the Year.

CONTRACT OF SIGNIFICANCE

Save as disclosed in notes 27 and 43(a) to the consolidated financial statements, the Company did not enter into any contract of significance with its controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries during the Year.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

Save as the Directors' service agreements disclosed in this report, no other contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Year.

CONNECTED TRANSACTION

Save as disclosed in notes 27 and 43(a) to the consolidated financial statements that fall under the scope of "connected transactions" under Chapter 14A of the Listing Rules but constituted a fully exempt connected transaction of the Company pursuant to Rule 14A.90 of the Listing Rules, there was no transaction which should be disclosed in this report as a connected transaction in accordance with the requirements of the Listing Rules during the Year.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Interests in the Shares

Long positions in ordinary Shares and underlying Shares

Name of Director	Number of Shares		Equity derivatives	Total	Approximate percentage of issued share capital of the Company *(Note 2)*
	Personal interest	Corporate interest			
Mr. Zeng Li ("Mr. Zeng")	–	600,000,000 *(Note 1)*	–	600,000,000	56.60%

Notes:

1. These Shares were registered in the name of Harbour Luck which was wholly and beneficially owned by Mr. Zeng, an executive Director and the chairman of the Board.

2. The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Nature of interests/ Holding capacity	Number of shares	Approximate percentage of issued share capital of the Company *(Note 2)*
Substantial Shareholders:			
Harbour Luck	Beneficial owner	600,000,000	56.60%
Ms. Chen Xiong Yi ("Ms. Chen")	Interest of spouse	600,000,000 *(Note 1)*	56.60%
Other Persons:			
Mr. He Xiaoyang	Beneficial owner	100,000,000	9.43%

Notes:

1. Ms. Chen is deemed to be interested through the interest of her spouse, Mr. Zeng (as disclosed above).

2. The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, there were no other persons who (other than a Director or the chief executives of the Company) or corporations which had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS" above, at no time during the Year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing an incentive and/or a reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full-time or part-time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub- tenants) of the Group; and (c) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015.

The principal terms of the Share Option Scheme are as follows:

(i) The total number of Shares which may be allotted and issued upon exercise in full of the options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on the adoption date (i.e. 30 July 2015), unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled and lapsed in accordance with the such schemes or exercised options) will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(ii) No Share Option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue with the substantial shareholders of the Company, independent non-executive Directors and their respective associates being subject to 0.1% of the number of Shares in issue and a total value of HK$5 million of the Shares.

(iii) A Share Option may be accepted by an eligible participant not later than 21 days from the date of grant. Upon acceptance of the option, a consideration of HK$10.00 shall be paid by the grantee to the Company.

(iv) A Share Option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board, which shall not be later than 10 years from the date of grant but subject to the provisions for early termination as contained in the Share Option Scheme. There is no specified minimum period for which an option must be held or the performance target which must be achieved before an option can be exercised.

(v) The subscription price shall be determined by the Board, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(vi) The Share Option Scheme remains valid for a period of 10 years commencing from 30 July 2015.

As at 31 December 2018 and the date of this report, no share options have been granted under the Old Scheme.

REPORT OF THE DIRECTORS

As at the date of this report, no share options have been granted under the Share Option Scheme since its adoption and therefore, as at 31 December 2018 and the date of this report, there were no outstanding share options granted under the Share Option Scheme and no share options were exercised and cancelled or lapsed during the Year.

The total number of Shares available for issue under the Share Option Scheme is 80,000,000, representing 7.55% of the issued Shares as at the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

Full details on the Company's principal corporate governance practices are set out on pages 22 to 33 of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting date, on 26 February 2019, the Company further entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$2,500,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 27 February 2019, HK$2,500,000 was drawn down by the Company.

Pursuant to the written resolutions of the sole member and the sole director of Manta Services Management Limited ("Manta-Services") both dated 20 March 2019, it was resolved that (i) the business of Manta-Services was ceased with effect from 31 December 2018; and (ii) an application be made to the Registrar of Companies for deregistration of Manta-Services. As at the date of this report, the deregistration of Manta-Services is still in process.

INDEPENDENT AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as the independent auditor of the Company.

The consolidated financial statements for the Year have been audited by BDO Limited who will retire and, being eligible, offer themselves for reappointment, at the AGM.

ON BEHALF OF THE BOARD

Zeng Li
Chairman

Hong Kong, 21 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore, the Company will strive to develop and implement effective corporate governance practices and procedures.

During the Year, the Company complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

THE BOARD OF DIRECTORS

The Board

The Board takes full responsibility for supervising and overseeing all major matters of the Company, including any acquisitions or disposal of businesses, investments, formulating and approving of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company, The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate.

The Directors have full access to information of the Group and management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Chairman and Chief Executive

The CG Code provision stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same person. Currently, Mr. Zeng Li is the chairman of the Board (the "Chairman") and Mr. Winerthan Chiu takes up the roles of the CEO. The Chairman is responsible for overseeing the functioning of the Board and in charge of overall affairs of the Group while the roles of the CEO is responsible for managing operation planning of the Group's businesses.

Board Composition

Currently, the Board comprises six members with a suitable breadth of background and professional experience from the financial, legal, accounting and commercial sections.

CORPORATE GOVERNANCE REPORT

The Directors who served the Board during the Year and up to the date of this report are named as follows:

Executive Directors
Mr. Zeng Li *(Chairman)*
Mr. Winerthan Chiu *(Chief Executive Officer)*
Mr. Chan Ka Lun

Independent non-executive Directors
Mr. Wan Tze Fan Terence
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

Mr. Zeng Li is an uncle of Mr. Chan Ka Lun. Apart from that, there is no other relationship, including financial, business, family or other material/relevant relationships among the Board members.

The brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 10 to 12 of this annual report. The updated list of Directors and their role and function were published on the websites of the Stock Exchange and the Company.

The Chairman, being an executive Director will at least annually hold one meeting with the INEDs without the presence of other executive Directors.

In compliance with code provision A.1.8 of the CG Code, the Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy or as an additional member of the Board. The Company has set up a Nomination Committee for formulating nomination policy for consideration of the Board and making recommendations to the Board on the selection, appointment and re- appointment of Directors. In accordance with Articles, any Director newly appointed shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the AGM.

The term of office of all Directors is two years, subject to retirement by rotation, whichever is the earlier. Each of the Directors is appointed by a service contract or a letter of appointment setting out the key terms and conditions of his/her appointment.

CORPORATE GOVERNANCE REPORT

Directors' Training and Professional Development

During the Year, the Company had organised in-house training conducted by The Hong Kong Institute of Directors for the Directors and senior executives, to develop and refresh the Directors' knowledge and skills with an emphasis on the roles, functions and duties of a director of a listed company in compliance with code provision A.6.5 of the CG Code. To ensure Directors' compliance with the Listing Rules and strengthen the Directors' awareness of good corporate governance, the Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements by issuing to them circulars, guidance notes and reading materials.

董事 HKIoD
持續進修 2018
Director CPD+

During the Year, the Directors participated in the following training as per their records provided to the Company:

Directors	Attending in-house briefings	Attending relevant training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors			
Mr. Zeng Li	✓	✓	✓
Mr. Winerthan Chiu	✓	✓	✓
Mr. Chan Ka Lun	✓	✓	✓
Independent non-executive Directors			
Mr. Wan Tze Fan Terence	✓	✓	✓
Mr. Tsui Robert Che Kwong	✓	✓	✓
Ms. Yang Yan Tung Doris	✓	✓	✓

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has entered into a letter of appointment with each of the existing independent non-executive Directors for a term of two years which can be terminated by either party by giving not less than one month's written notice to the other party. The letters of appointment of the existing independent non-executive Directors commenced on 22 December 2014 and each of their letters of appointment has been renewed on 22 December 2018.

Each of the independent non-executive Directors has confirmed in writing that he or she had complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors are independent under these independence requirements.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs:

Remuneration Committee

The Company established the Remuneration Committee in compliance with CG Code with written terms of reference. Currently, the Remuneration Committee is chaired by Ms. Yang Yan Tung Doris, an independent non-executive Director, and other members are Mr. Winerthan Chiu, an executive Director, and Mr. Wan Tze Fan Terence, an independent non-executive Director.

The Remuneration Committee adopted the approach under code provision B.1.2(c)(i) of the CG Code, is primarily responsible for (i) making recommendations to the Board on the Company's policy and structuring for all remuneration of the Directors and senior management and establishing the formal and transparent procedures for developing such remuneration policy; (ii) determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group; and (iii) reviewing and approve remuneration of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. Full terms of reference are available on the respective websites of the Stock Exchange and the Company. Details of remuneration for each Director and emoluments for senior management are set out in note 16 to the consolidated financial statements.

During the Year, two meetings of the Remuneration Committee were held to review the remuneration package of the Directors; review the terms of reference of the Remuneration Committee and its effectiveness; and review the draft services agreements for executive Directors and draft letters of appointment for the independent non-executive Directors.

Nomination Committee

The Company established the Nomination Committee in compliance with CG Code with written terms of reference. Currently, the Nomination Committee is chaired by Mr. Zeng Li, an executive Director and the Chairman and other members are Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris, both being independent non-executive Directors.

The Nomination Committee is primary responsible for (i) reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board annually and making recommendations to the Board with regard to any changes; (ii) reviewing the policy on Board diversity (the "Board Diversity Policy") and the measurable objectives for implementing such policy from time to time adopted by the Board, and to review and monitor the progress on achieving these objectives; (iii) developing and review the policy for the nomination of Directors (the "Nomination Policy"); (iv) identifying and nominate qualified individuals for appointment as additional Directors or to fill vacancies of the Board as and when they arise; (v) making recommendations to the Board on appointment, re-appointment, re-election or re-designation of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; and (vi) assessing the independence of the independent non-executive Directors. Full terms of reference are available on the respective websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

During the Year, one meeting of the Nomination Committee were held and two written resolutions were circulated to review the structure, size and composition of the Board; to recommend to the Board on the re-election of the retiring Directors; to review the terms of reference of the Nomination Committee and its effectiveness; to assess the independence of the independent non-executive Directors; to recommend to the Board the appointment of the Chief Executive Officer; and to adopt the Nomination Policy.

Board Diversity Policy

The Board has adopted the Board Diversity Policy and measurable objectives which are set for the purpose of implementing the Policy with effect from 30 August 2013.

Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects including skills, experience, knowledge, expertise, culture, independence, age and gender. All Board appointments will be based on merit while taking diversity into account (including gender diversity).

Measurable Objectives

The measurable objectives for the purpose of implementation of the Board Diversity Policy including the dependence, educational background, professional qualifications and years of experience in the industry he/she is specialised in.

The Nomination Committee will review the Policy to ensure its effectiveness and report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation on the Board Diversity Policy.

Nomination Policy

The Nomination Committee has adopted the Nomination Policy with effect from 24 December 2018.

The Nomination Policy aims to set out the nomination procedures and the process and criteria to guide the Nomination Committee to select and recommend candidates for directorship.

In assessing the suitability of a proposed candidate, the following criteria (the "Nomination Criteria") would be used as reference by the Nomination Committee, including but not limited to:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's businesses and corporate strategy;

(c) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(d) Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

CORPORATE GOVERNANCE REPORT

(e) Board Diversity Policy and any measurable objectives adopted by the Board for achieving diversity on the Board; and

(f) Such other perspectives appropriate to the Company's businesses.

For appointment of a new Director, the Nomination Committee shall evaluate the proposed candidate based on the Nomination Criteria, and make recommendations for the Board's consideration and approval. For re-election of Director at a general meeting of the Company, the Nomination Committee shall review the overall contribution and service to the Company of the retiring Director and also review and determine whether he/she continues to meet the Nomination Criteria. The Nomination Committee and/or the Board shall then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Audit Committee

The Audit Committee was established on 25 June 2010 with written terms of reference. In order to comply with the relevant code provisions of the CG Code, the written terms of reference had been revised on 27 March 2012 and were further revised on 31 December 2015, 22 March 2017 and 24 December 2018. Currently, the members of the Audit Committee comprises three independent non-executive Directors, namely Mr. Wan Tze Fan Terence (chairman of the Audit Committee), Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris.

The Audit Committee is primarily responsible for overseeing all financial reporting procedures and the effectiveness of the Company's risk management and internal controls and then reports the findings, decisions and recommendations to the Board; making recommendation to the Board on the appointment, re-appointment and removal of external auditor and approving the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor; and reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process in accordance with applicable standard.

During the Year, three meetings of the Audit Committee were held and a written resolution was circulated to review the annual results of the Group; review the terms of reference of the Audit Committee and its effectiveness; and review the interim results of the Group.

The Audit Committee has reviewed with the management of the Company and the external auditor the annual results of the Group for the Year including the accounting principles and practices adopted by the Group and discussed the auditing, risk management and internal control and financial reporting matters.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the Model Code, the CG Code and disclosures in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Director's inspection.

During the Year, the Board held 10 Board meetings and the Directors attended the same in person or participated therein through electronic means of communication.

The attendance record of each Director at the Board meetings, the Board committees meetings and the general meetings of the Company held during the Year is set out below:

Directors	Board Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	2018 AGM Attended/ Eligible to attend
Executive Directors					
Mr. Zeng Li	10/10	1/1	–	–	1/1
Mr. Winerthan Chiu	10/10	–	2/2	–	1/1
Mr. Chan Ka Lun	10/10	–	–	–	1/1
Independent non-executive Directors					
Mr. Wan Tze Fan Terence	10/10	–	2/2	3/3	1/1
Mr. Tsui Robert Che Kwong	9/10	1/1	–	3/3	1/1
Ms. Yang Yan Tung Doris	10/10	1/1	2/2	3/3	1/1

AUDITOR'S REMUNERATION

For the Year, the total fee paid/payable to the external auditor of the Company in respect of audit and non-audit services is set as below:

	HK$'000
Audit services	980
Non-audit services, in respect of interim review and other services	1,090

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Year, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, BDO Limited, about their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 55 to 59.

COMPANY SECRETARY

Mr. Chan Tai Wah Calvin ("Mr. Chan") has been appointed as the Company Secretary since 1 July 2015. All Directors have access to the advice and services of Mr. Chan who is responsible for ensuring that the correct Board procedures are followed and the Board is advised on all corporate governance matters. During the Year, Mr. Chan confirmed that he had undertaken over 15 hours of professional training to update his skills and knowledge pursuant to rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to accept in reaching its strategic objectives and to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board has supervised the management's design, implementation and monitoring of risk management and internal control systems. The Board has confirmed that it will continue to monitor the system and ensure that the effectiveness of the risk management and internal control systems of the Company and its principal subsidiaries, covering all material controls, including financial, operational and compliance monitoring, at least once a year under the leadership of the Audit Committee.

A. Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the Year, the Company adopted an Enterprise Risk Management — Integrated Framework (2004) issued by the Committee of Sponsoring Organizations of The Treadway Commission ("COSO ERM") to perform the risk assessment (the "Review") on the Group for the Year. The Review was designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group were identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

CORPORATE GOVERNANCE REPORT

During the Review, the Company conducted the following procedures:

– follow-up review on previous findings on risks;

– interviewing with management and relevant staff to identify the risks over the Group's business operations and governance practice;

– quantifying the risks by financial data and market searches;

– Identifying current issues and potential risks in the Group's business operations and governance practice for improvement; and

– prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

However, risk management and internal control systems are designed to manage rather than eliminate the risk of failing to reach a business goal, and to make reasonable, not absolute, warranties of no significant misrepresentation or loss.

B. Group Risk Report

In this financial year, the Company conducted an annual Group-wide review based on the COSO ERM to assess the risks relevant to the existing businesses of the Group and prepared the Group Risk Report which was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Dissemination of Inside Information

The Group adopted the standards set out in the Model Code and received confirmations from all Directors that they have complied with the Model Code throughout the Year. Set out below is the Company's procedures and internal controls for handling and distributing inside information:

- The Company acknowledges its obligations under the Securities and Futures Ordinance and the Listing Rules. The first principle is that the information should be promptly published when the Company is aware of and/or when the related decision is made, unless such inside information falls under the Safe Harbour Provisions under the Securities and Futures Ordinance;

- In dealing with the matters, adhere to the Guidelines on Disclosure of Inside Information promulgated by the Securities and Futures Commission in June 2012;

- Unauthorized use of confidential or inside information has been expressly prohibited in the internal system; and

- employees or Directors possessing such inside information should report the same to the Executive Director, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly.

CORPORATE GOVERNANCE REPORT

D. Internal Audit Function

During the Year, the Company engaged an external independent consultant as an internal control advisor ("IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and to the Company's management. Based on the Company's risk assessment results, the IC Advisor recommended a three-year internal audit plan to the management which was endorsed by the Board and the Audit Committee. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit plan during the Year. The IC Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

The Board and Audit Committee have confirmed that they had reviewed the effectiveness of the risk management and internal control systems of the Group during the Year and considered them to be effective and adequate. The Board will continuously improve and monitor the effectiveness of risk management and internal control systems.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the code provisions of CG Code but also promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcome.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.elasialtd.com. The Directors and members of various Board committees will attend general meetings of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the respective websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The Company attaches importance to providing reasonable returns for the Shareholders. The dividend policy of the Company maintains continuity and stability and takes into consideration the long-term interests of the Company, overall interests of all Shareholders and the sustainable development of the Company.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the Company's capacity to pay from accumulated and future earnings, liquidity position and future commitments at the time of declaration of dividend. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and the Articles.

According to the Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. No dividend shall be payable except out of the profits of the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for convening an Extraordinary General Meeting by the Shareholders

Pursuant to the article 64 of the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting of the Company ("EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to infoela@elasialtd.com.

Shareholders are also encouraged to attend the AGM and the EGM and to put their enquiries to the Board directly. Notices of general meetings are duly circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman, the chairman of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond to the Shareholders' enquiries in a promptly manner.

Procedures for making proposals at the Shareholders' meetings

To put forward proposals at an annual general meeting of the Company or the EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified by the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at an annual general meeting of the Company or the EGM varies according to the nature of the proposal, as follows:

- At least 14 days' notice (the notice period must include 10 clear business days) in writing if the proposal constitutes an ordinary resolution of the Company

- At least 21 days' notice (the notice period must include 20 clear business days) in writing if the proposal constitutes a special resolution of the Company in the EGM or an ordinary resolution of the Company in an annual general meeting

CORPORATE GOVERNANCE REPORT

Procedures for the Shareholders to propose candidates for election as a Director

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting (the "General Meeting") of the Company, unless notice in writing by Shareholder(s) of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected including that person's biographical details as required by rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, shall have been lodged at the Company Secretary at the Company's principal place of business in Hong Kong at least 7 days before the date of the General Meeting. The period for lodgment of the notices required under the Articles will commence no earlier than the day after the dispatch of the notice of the General Meeting appointed for such election and end no later than 7 days prior to the date of such General Meeting.

Investors Communication Policy

To promote effective communication, the Company maintains a website at http://www.elasialtd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number	:	(852) 3678-8589
By post	:	Room 3607, 36/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong for the attention of the Board of Directors
By email	:	infoela@elasialtd.com

During the Year, the Company has not made any changes to its memorandum and the Articles, which are available on the respective websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

As one competitive enterprise that is majorly engaged in the trading, leasing, repair and maintenance services of construction machineries, and the cultivation, research, processing and sale of exocarpium citri grandis, Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") not only keep allocating its resources in strengthening the overall management, marketing and distribution network for business development with incessant innovation to adapt to the fluctuated and unpredicted market, but also endeavour to become a leading firm in the industry that shoulders social responsibility and fulfils its environmental commitment. As such, the Group has put enormous efforts in monitoring its daily operating practice and gradually incorporates the concept of corporate sustainability into its business strategies and decision-making process, thereby accelerating the transition to an environmentally friendly and resilient company that is robust in addressing the underlying risks brought by imminent climate-related matters.

To create shared value to all and continue to lower the Group's negative impact on the environment, the Group lays great emphasis on the function of the board of directors (the "Board" or the "Director(s)") of the company in the implementation of sustainable management approach and practice. An effective oversight of the Board and clear articulation of the value proposition of best practice in environmental, social and governance ("ESG") are believed to be the key to ensuring corporate sustainable development. Thus, the Board has ultimate responsibility for ensuring the effectiveness of the Group's ESG policies, and accordingly established dedicated teams to manage ESG issues within each business division of the Group. The chosen team and staffs are in charge of the enforcement and supervision of the daily implementation of proposed ESG policies. Through meetings and emails, the Directors can be timely updated and informed of the ESG performance at different stages in different units, and is therefore able to dope out effective plans to address potential environmental and social risks. In addition to the effective top-down management approach, execution of proposed plans, capacity development around ESG issues and feedback from various business units, the Directors also focus on the review and adjustment of the Group's sustainability policies according to the ever-changing macro-environment in order to satisfy the needs of its stakeholders.

The Group adopts both Top-down and Bottom-up approach in its sustainability governance, and has defined clear responsibilities for the Directors, Management team and general employees from different business units. Specifically, the Directors develop and initiate sustainability strategies, and keep monitoring the implementation of ESG practice to identify potential risks in the roadmap of its business growth. The Management team is responsible for the steering, supervision and real-time monitoring of the implementation of sustainability practice. Meanwhile, the assessment and management of risks during daily operations are also the duty of the Management team. General employees in the frontline are the people who need to execute the policies at different stages of operations, which is essential to the Group in eliminating, abating and controlling the underlying risks.

The Group firmly believes that sustainability is essential to the development of the Group's overall long-term success and is pleased to present its third ESG Report to further demonstrate the Group's approach and performance in terms of sustainable development for the year ended on 31 December 2018. Details of its management approach in both the environmental and social aspects can be found throughout different sections of this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. MESSAGES FROM THE BOARD

We, Eagle Legend Asia Limited, are always committed to making positive impact on the environment, society and local communities while constantly expanding our business in various directions. There is no denying the fact that climate change has gradually become one of the biggest challenges ahead of the entire human race in recent decades and will require our collective effort to transform our practice toward a more sustainable and environmentally friendly way as both an individual and a corporation. As such, we put emphasis on the underlying ESG-related risks during corporate operations and have assigned internal teams and professional third-party agency to help us accomplish the sustainability/ESG targets of the company. It includes the standard disclosure of key performance indicators, annual and long-term ESG targets establishment, energy conservation initiatives and technology innovation in core business operations. To precisely access the ESG performance information and resolve the problem accordingly, the Directors normally invites the responsible team to do either an oral presentation or written report on the progress of corporate ESG enhancement with specific indicators being compared with that in previous months at meetings. Also, any updated ESG information or news are sent to the Directors via email.

What is more, to mitigate the potential financial impacts caused by climate-related risks and grasp its accompanying opportunities, Eagle Legend Asia Limited has analysed its business model with respect to the 'Recommendations of the Task Force on Climate-related Financial Disclosures' in order to better understand the potential implications of climate change on the company. Hence, we believe that only through continuous research and development of new technologies in exocarpium citri grandis business and scientific optimisation of business model can we ultimately become the survivor and achieve the success in this increasingly competitive industry. 'Innovation', a common word that has been used widely across companies in contemporary society, is the only way that we rely on to change toward sustainability and the fundamental that we hold on to develop our business.

III. SCOPE OF THE REPORT AND REPORTING PERIOD

This ESG Report covers the environmental and social performance within the operational boundaries of the Group, which includes (1) the Group's offices in Hong Kong and Singapore that manage the business of trading of construction machinery and spare parts, leasing of the construction machinery under operating leases, providing repair and maintenance services in respect of the construction machinery; and (2) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the People's Republic of China (the "PRC"). For corporate governance section, please refer to the 2018 Annual Report pages 22 to 33. The reporting period of this ESG report is for the financial year 2018, from 1 January 2018 to 31 December 2018 ("FY2018"). The information in this ESG Report was gathered through numerous channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by the subsidiaries of the Group. To deliver a formalised and internationally compatible ESG report that appeals to our global readership, the Group referenced GRI (Global Reporting Initiative) Sustainability Reporting Standards, a globally-accepted reporting instrument, to improve the integrity, international compatibility and industrial comparability of the report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. STAKEHOLDER ENGAGEMENT

An effective communication with both internal and external stakeholders is essential to the Group's stability in business development and vital to delivering the Group's environmental, social and economic commitment to long-term value creation. A sound relationship between the Group and its stakeholders with open communication channels can not only boost the level of the Group's sustainable development, but also help the Group gain a better understanding of those topics material and relevant to different groups of stakeholders, thereby further controlling the underlying risks and spotting the potential opportunities.

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	— Compliance with laws and regulations — Anti-corruption policies — Occupational health and safety	— Supervision on complying with local laws and regulations — Routine reports and taxes paid
Shareholders	— Return on investments — Corporate governance — Business compliance	— Regular reports and announcements — Regular general meetings — Official website
Employees	— Employees' remuneration and benefits — Customer satisfaction — Health and safety in the working environment	— Performance reviews — Regular meetings and trainings — Emails, notice boards, hotline, caring activities with management
Customers	— Production quality assurance — Protect the rights of customers	— Customer satisfaction survey — Face-to-face meetings and on-site visits — Customer service hotline and email
Suppliers	— Fair and open procurement — Win-win cooperation — Environmental protection — Protection of intellectual property rights	— Open tendering — Suppliers' satisfactory assessment — Face-to-face meetings and on-site visits — Industry seminars
General public	— Involvement in communities — Business compliance — Environmental protection awareness — Consumption of packaging materials	— Media conferences and responses to enquiries — Public welfare activities — Face-to-face interview

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With the goal to strengthen corporate sustainability management while enhancing stakeholders' awareness of ESG and sustainability issues, the Group has put tremendous efforts into its internal and external stakeholder inclusiveness. The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels. Thus, the Group has carefully evaluated its stakeholders' genuine concerns regarding corporate ESG enhancement and United Nations Sustainable Development Goals (UN SDGs), and commits to solve the problems in a proper manner based on continuous, concise and effective surveys and communications. With the survey initiated by an external sustainability consultancy agency, the Group hopes to understand stakeholders' concerns nowadays, while endeavouring to make its important stakeholders realise the definition, value and progress of UN SDGs, and therefore become more devoted to contributing to the global sustainable development.

According to the result, it was found that to those well-selected stakeholders, Goal 11 (Sustainable cities and communities), ranked first among all 17 topics in terms of the degree of stakeholders' attention and interest. This promoted the Group to focus more on the provision of safe, inclusive, accessible and green spaces for working and leisure environment for its employees, and also the benefits and salary readjustment to them in order to ensure their access to adequate and affordable housing services as stipulated in the objectives under Goal 11.

Materiality Assessment

Since ESG risks and opportunities for companies vary across industries and depend on corporate business models, the Group therefore undertook an annual review to pinpoint its stakeholders' main concerns and material interests for the ESG report. In FY2018, the Group engaged its stakeholders to conduct a materiality assessment survey initiated by an independent third-party agency in order to guarantee the accuracy and objectivity of evaluation. Specifically, internal and external stakeholders including customers, suppliers, business partners, board members and employees from various business units of the Group were chosen first based on their influence and dependence on the Group. About 10 carefully-selected stakeholders with high levels of influence and dependence on the Group eventually stuck out from many stakeholders and were then invited to participate in this online survey to express their concerns on a list of sustainability issues. This online survey was comprised of numerous well-designed questions that were believed as material and relevant to the Group's business development and strategies from stakeholders' standpoint by the third-party agency. Through such objective, transparent and decision-useful materiality assessment to prioritise the topics from the entire inventory of ESG issues, the Group formulated a materiality assessment matrix then, which could genuinely reflect the real concern of its stakeholders on ESG matters and facilitate the Group to develop action plans for effective ESG management.

Given the materiality analysis matrix, the Group finally identified '*Occupational health and safety*' and '*Customer satisfaction*' as issues of the highest importance, which were always believed to be important issues to the Group and its stakeholders in previous years. '*Occupational health and safety*' has been clearly highlighted under various targets in SDGs. For instance, Goal 3.9 under SDGs aims to by 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination; Goal 8.8 under SDGs refers to protecting labour rights and promoting safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment; Goal 16.6 under SDGs advocates to develop effective, accountable and transparent institutions at all levels.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

'*Customer satisfaction*' is also a vital issue that has been discussed heatedly at GRI Sustainability Standard 416: '*Protection of health and safety is a recognized goal of many national and international regulations. Customers expect products and services to perform their intended functions satisfactorily, and not pose a risk to health and safety. Customers have a right to non-hazardous products. Where their health and safety is affected, customers also have the right to seek redress.*'

This review, to the Group, not only prioritised its sustainability strategies, practices and outcome in an objective way, but also highlighted that the material and relevant aspects of the Group's operation did not change during recent years. The result pushed the Group to strengthen more efforts on resolving those matters so as to address its stakeholders' long-lasting concerns.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcomed to share their views with the Group at infoela@elasialtd.com or www.elasialtd.com.

V. ENVIRONMENTAL SUSTAINABILITY

To seek the long-term sustainability of the environment and the community where it operates, the Group is increasingly prudent in controlling its emissions as well as the consumption of resources, and has strictly complied with relevant environmental laws and regulations in Hong Kong, Singapore and the PRC during its daily operations, including but not limited to the:

- Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);
- Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法);
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法);
- Law of the People's Republic of China on Conserving Energy (中華人民共和國節約能源法); and
- Agriculture Law of the People's Republic of China (中華人民共和國農業法).

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A.1. Emissions

The Group has complied with relevant national and local environmental laws set out in the operating regions, especially in the business of exocarpium citri grandis. In FY2018, the Group found no disregard to influential laws relevant to air and greenhouse gas ("GHG") emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise. With a strong ambition to minimise its negative impact on the environment, the Group keeps innovating its technologies and commits to put forward effective measures for emission control, such as the smart real-time monitoring of the Group's resource consumption and the upgrade of outdated equipment that performs poorly in energy efficiency.

Given the nature of the Group's business, air emissions mainly came from fuel combustion for agricultural machines, oasthouses and vehicles for daily transportation. In FY2018, the air emissions of sulphur oxides ("SO_X"), nitrogen oxides ("NO_X") and particulate matter ("PM") were incorporated in the emission scope and amounted to 143, 2,846 and 2,285 kg, respectively. Greenhouse gases ("GHGs") are no doubt a major contributor to global climate change and rigorously governed by the United Nations (UN) 'Framework Convention on Climate Change'. The consumption of fossil fuels for agricultural operations and transportation, coupled with the electricity consumption in offices and other working places constituted the principle greenhouse gas sources during the year under review. Specifically, with a total of 1,821 tonnes carbon dioxide equivalent ("CO_2e") being emitted in the Group (carbon intensity: 15.4 tonnes CO_2e/employee), emissions from Scope 1 accounted for 87.5% approximately, whereas 11% came from Scope 2. Other indirect emissions (Scope 3) including GHG emissions from the paper waste disposed of at landfills and from electricity used for processing fresh water by governmental departments were calculated this year, which amounted to around 28 tonnes. Apart from GHG emissions, the Group also generated certain amounts of solid wastes and wastewater from its administration offices and agricultural centres. During the year under review, the Group did not generate any hazardous solid wastes or sewage. The Group's total emissions in FY2017 and FY2018 are summarised in Table 1 below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table 1 The Group's Total Emissions by Category in FY2018 and FY2017

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in FY2018	Intensity* (Per Employee) in FY2018	Amount in FY2017	Intensity* (Per Employee) in FY2017
Air Emissions	SO_x	Kg	143	1.2	129	1.1
	NO_x	Kg	2,846	24.1	2,550	21.1
	PM	Kg	2,285	19.4	2,055	17.0
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO_2e	1,594	–	1,543	–
	Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	199	–	189	–
	Scope 3** (Other Indirect Emissions)	Tonnes CO_2e	28	–	–	–
	Total (Scope 1 & 2 & 3)	Tonnes CO_2e	1,821	15.4	1,732	14.3
Non-hazardous Waste	Solid Wastes	Tonnes	148	1.3	76	0.6
	Wastewater	Tonnes	300	2.5	1,554	12.8

* *Intensity was calculated by dividing the amount of air, GHG and other emissions by the total workforce of the Group in FY2018 and FY2017, which was 118 and 121, respectively;*

** *The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills, and electricity used for processing fresh water by government departments;*

*** *The methodology adopted for reporting on GHG emissions set out above was based on the "How to Prepare an ESG Report ? - Appendix 2: Reporting Guidance on Environmental KPIs" issued by Hong Kong Exchanges and Clearing Limited.*

Trading and Leasing of Construction Machinery

Emissions from the trading and leasing offices in Hong Kong and Singapore were mainly GHG emissions from the consumption of electricity, and non-hazardous municipal solid waste and wastewater generated by staffs in the offices. Neither hazardous solid waste nor hazardous sewage were generated in the Group's trading and leasing offices during the year under review.

As for its electricity consumption, the Group has implemented internal electricity-saving policies in offices to cut GHG emissions from unnecessary waste of electricity. Specific measures are further described in the next subsection under **Energy**. In order to lower the solid waste generated in offices, the Group has tremendously advocated 'Reduce, Reuse and Recycle' approach among employees in both Hong Kong and Singapore. In FY2018, for instance, the Group educated all employees to reduce the use of disposable items such as plastic tableware. Besides, office stationeries and equipment were encouraged to be reused as many times as possible. Any non-recyclable municipal solid wastes such as paper products were collected and disposed of by the property management at regular interval. Notably, obsolete metal parts and machinery components were stored at certain places for resale to professional third party for centralised recycling and reuse. Furthermore, despite the fact that municipal wastewater is normally discharged into the sewage system of the property building, to effectively reduce the amount of wastewater from offices, the Group commits to control the use of freshwater and has therefore taken a series of measures in water management, which are further described in the next subsection under **Water**.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Cultivation and Processing of Exocarpium Citri Grandis (化橘紅)

Huazhou City is a major region for the production of exocarpium citri grandis in the PRC and hailed as the 'hometown of exocarpium citri grandis in China'. As a leading enterprise in the industry, especially in terms of production and processing technologies, the Group not only promotes the research and development of the cultivation and processing of exocarpium citri grandis, but also puts focus on the controlling of all discharges from this business segment. In FY2018, emissions for this business segment included air & GHG emissions, and non-hazardous wastewater and solid waste. Specifically, the burning of gasoline and diesel for transportation and operation of agricultural machineries, the consumption of electricity for the running of certain machines and offices, and the use of firewood in oasthouses were the principle GHG emission sources. To lower the air & GHG emissions from this business segment, the Group has put emphasis on two areas particularly – transition to green technology and reduction of energy resources through applicable practice, which are detailed in the Group's internal policies and will be further described in the **A.2. Use of Resources**. Domestic and commercial wastewater was directly discharged into the local sewerage system, while the solid waste was recycled and collected by local companies for waste management if necessary.

During the year under review, the Group was not in violation of any relevant laws and regulations, which have a significant impact on the Group, related to emissions.

A.2. Use of Resources

In FY2018, primary resources consumed by the Group were electricity, gasoline, diesel, firewood, water, paper and woven bag for packaging. Table 2 illustrates the amount of different resources used by the Group during the year under review and a comparative histogram with the performance in FY2017 is presented below as well.

Table 2 Group's Total Use of Resources by Category in FY2018 and FY2017

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in FY2018	Intensity* (Per Employee) in FY2018	Amount in FY2017	Intensity* (Per Employee) in FY2017
Energy	Electricity	kWh	424,251	3,595.3	405,988	3,380.1
	Gasoline	L	26,944	228.3	41,087	339.6
	Diesel	L	3,965	33.6	3,698	30.6
	Firewood	Tonnes	851	7.2	766	6.3
Water	Water	m^3	102,933	872.3	16,875	139.5
Paper	Paper	Tonnes	1	8.5×10^{-3}	1	8.3×10^{-3}
Packaging Materials	Woven bags	Kg	2,080	17.6	1,456	12.0

* *Intensity was calculated by dividing the amount of consumed resources by the total workforce of the Group in FY2018 and FY2017, which was 118 and 121, respectively;*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy

The Group's electricity was mainly consumed at offices and the exocarpium citri grandis farm of the Group. In FY2018, the total electricity consumption of the Group increased by 5%. All subsidiaries of the Group stringently complied with the Group's energy saving policy.

The Group has replaced traditional light bulbs with electricity-saving light bulbs as well as educated its employees about energy conservation and emission reduction. To ensure the effective use of electricity, the Group has conducted the following practices:

- Turn off lights, computers and air conditioning system at the end of the day;
- Clean office equipment regularly to maintain high efficiency; and
- Set temperature of air conditioners based on the season.

The Group consumed gasoline and diesel for its vehicles and tractors, and firewood for the baking oven. In FY2018, the amount of gasoline, diesel and firewood consumed by the Group was 26,944 L, 3,965 L, and 851 tonnes, respectively. As compared with the data in FY2017, it can be found that the consumption of gasoline in the Group has been successfully reduced, which was primarily due to the efforts of the Group scaling up to encourage energy saving through simple measures, such as turning off all idle equipment and replacing highly polluting vehicles with more environmentally-friendly ones. It is also worth mentioning that in FY2018, the Group upgraded the oasthouses and realised the recirculation of exhaust warm air. Such improvement not only reduced the energy consumed during drying process, the duration of drying was shortened dramatically as well, which, as a result, substantially enhanced the productivity in oasthouses.

Water

The Group has educated its employees to save water. In FY2018, the Group did not face any issue in sourcing water and the total water consumption of the Group was 102,933 m^3, to which the management of the Group would pay more attention next year with strategic water conservation directions and practical measures. To further improve the utilization efficiency of water resources, the Group adopted the following practices during the year under review:

- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Purchase water saving equipment; and
- Collect rainwater for plants watering and floor cleaning.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Paper

Paper was mainly consumed by the Group at its trading and leasing offices. In FY2018, the Group used a total of about one tonne of paper for administrative operations. The Group strives to reduce paper produced at source by adopting the following practices:

- Choose suppliers with more environmentally-friendly paper source, so as to reduce the amount of tree losses while consuming the same amount of paper indirectly;
- Promote the concept of paperless office, and disseminate information by electronic means (i.e. via email or e-bulletin boards) as much as possible;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Spread the idea of "Think before print" by using posters and stickers in offices to remind the staff of avoiding unnecessary printings;
- Reconsider boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Use the back of old single-sided documents for printing or draft paper.

Packaging Materials

Woven bag was the only packaging material that the Group purchased and used during its operations. In FY2018, the number of woven bags consumed by the Group was 16,000, which was equivalent to the amount of 2,080 kg. To reduce the consumption of packaging materials, the Group encourages the efficient use of woven bags and the recycling of used bags as much as possible through effective measures.

A.3. The Environment and Natural Resources

Being committed to minimising its detrimental emissions to the environment and optimising its business strategy to enhance operational efficiency, the Group has evaluated its business model and daily practice in a comprehensive way in order to price the climate-related risks and opportunities alongside its business development accurately. In other words, the Group is aware of the vital role private sectors and corporations play in addressing the imminent climate crisis. As such, facilitating a thorough assessment on the correlation between business growth and change of macro-environment is of paramount importance for the long-term success. It goes without saying that the exploit of water resources is inevitable to the business of Cultivation and Processing of exocarpium citri grandis, which amongst all business activities, is the one that necessitates large amounts of water during operations. Therefore, the Group keeps improving water efficiency in agriculture practices at all levels, including huge investment in the research and development on the innovation of cultivation and processing practice, and scientific guidance on the management of water usage. Besides, the consumption of other resources including diesel, gasoline and electricity are also paid great attention by the management, which is not only because of the financial burden imposed on the Group, but also due to the negative impact on the environment. To better manage the energy consumption, the Group established internal policies and posted up a set of rules at both offices and operating sites that encourage employees to protect our planet and move toward sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Considering the geographical advantage of the Group, climate change would exert little influence on the business of exocarpium citri grandis and therefore could barely compromise the productivity potential of farm land. Notwithstanding that, the Group still sticks to the '5 Principles and 20 Actions' recommended in 'Transforming Food and Agriculture to Achieve the SDGs' and commits to `manage our precious natural resources in an efficient way that maintains ecosystem functions to meet both the present and future generation's needs. Such target not only requires technology advancement of the Group. Rather, it spurs us to enhance dialogues with stakeholders and work collectively with other enterprises in this industry to realise the symbiotic existence between humans and nature. To promote such barrier-free communication and dissemination of shared value with stakeholders, the Group has aligned its sustainability metrics, targets and strategies with globally recognised standards. The Sustainable Development Goals (SDGs) came into force on 1 January 2016 and laid out a roadmap to tackle 17 vital sustainability issues around the world. With a strong corporate ambition to address the climate-related risks and comprehend the underlying implications of climate change on the financial planning, the Group has prioritised and incorporated certain SDGs into its policies and decision-making process that are believed material to our business activities ('Affordable and clean energy', 'Industry, Innovation and Infrastructure', 'Responsible Consumption and Production', and 'Climate Action', respectively). With the clear instruction at the global level and practicable solutions raised within the enterprise, the Group not just resolves to move forward in terms of lowering its negative impact on the environment, but aims to face up to the systemic challenge and avert this climate crisis with its continuous efforts.

VI. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

As a diversified enterprise that relies on constant innovation, technological advancement and strenuous efforts of all employees, especially in the business of exocarpium citri grandis, the Group believes that an effective capital management and formulation of appropriate employment policies are fundamental to the Group, and will undoubtedly support the Group's long-term stability and competitiveness. Hence, the Group treasures employee's talent and strives to provide its employees with a safe and suitable platform for gaining professional knowledge, developing vocational career and living a fulfilling life.

Law Compliance

The Group's employment policies have been updated and adjusted to cater to the desire of market since its inception, and most importantly, to abide by the latest laws and regulations in Hong Kong, the PRC and Singapore. In FY2018, the Group complied with all relevant regulations. The applicable laws and regulations material to the Group include but not limited to the

- Employment Ordinance (Cap. 57 of the Laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China (中華人民共和國勞動法);
- Insurance Law of the People's Republic of China (中華人民共和國社會保險法); and
- Employment Act (Singapore).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, promotion, and dismissal

Recruitment is believed to be an important part in talent management and the premise of technological innovation. The Group has adopted a set of clear procedures regulated in 'Personnel Recruitment Plan', to conduct its general and campus recruitment. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on the individuals' educational background, personal attributes, job experiences, career aspirations and other factors. To ensure that candidates and employees remain enthusiastic in their positions and take initiatives to accomplish every task they are assigned to, the Group also references market benchmarks and industry standards to formulate internal policies in determining the remuneration, benefits, promotion standard and other employment-related matters. As talent retention is vital to the sustainable business development, the Group reviews its compensation packages and performs evaluations on the employee's capability and performance on a regular basis. This ensures that all employees can be recognised by the Group appropriately with respect to their efforts and contributions, thereby raising their morale in the work.

Working hours and rest periods

The Group believes that striking a proper balance between work and leisure can effectively help employees recharge their batteries and enhance the productivity. The Group has formulated its policy based on local employment laws including Provisions of the State Council on Employees' Working Hours (國務院關於職工工作時間的規定) to determine working hours and rest periods for employees. The Group monitors the working hours of its employees and has installed attendance management system to ensure that employees who work overtime could be compensated with overtime pay or additional days off. On top of basic annual leave and statutory holidays, employees are also entitled to extra leave benefits such as marriage leave, maternity leave and compassionate leave.

Equal opportunity and anti-discrimination

Gender equality and non-discrimination is a significant topic in UN SDGs and has been discussed under various targets. To the Group, an equal opportunity employer, creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions should not be a catchword. Rather, the Group hopes to use strict policies to regulate corporate daily practice and avoid any activities that run contrary to the principle of equal opportunity and anti-discrimination. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other discriminatory elements in all business units of the Group. Meanwhile, the Group has formulated equal opportunity policy, which allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations. Moreover, employees are vigorously encouraged to report any incidents involving discrimination to the human resources department of the Group. Once relevant report is received, human resources department would take responsibility for the assessment, recording and implementation of any necessary disciplinary actions on the incidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other benefits and welfare

The Group cares about the wellbeing of its employees and believes that employees are the creators, practitioners and trailblazers of the fulfilment of corporate values. According to national regulations, the Group provides employment injury insurance for its employees. In addition, meals, uniforms, and well-equipped dormitories are generously offered by the Group in the business of exocarpium citri grandis. During some traditional Chinese festivals, employees may even receive additional bonuses and gifts. In FY2018, the Group organised several dinner gatherings and grand banquet for annual meeting at the base of company in Huazhou City with entertaining activities such as lucky draw.

In FY2018, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

The Group regards occupational health and safety as the high priority issue in the company, which should involve both the prevention of dangerous situations from happening and the promotion of employees' well-being. To provide and maintain a safe and clean working environment for employees, the Group has established internal safety and health policies that are in line with relevant laws and regulations in Hong Kong, the PRC, and Singapore, including but not limited to the:

- Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);
- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法);
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法);
- Regulation on Work-Related Injury Insurance (工傷保險條例);
- Work Injury Compensation Act (Singapore); and
- Workplace Safety and Health (WSH) Act (Singapore).

The Group rigorously sticks to the instructions of the ISO 45001 Occupational Health and Safety Management Systems (a new ISO standard that specifies requirements for an occupational health and safety (OH&S) management system, and gives guidance for its use is being developed to replace previous OHSAS 18001), striving for zero accidents of all persons involved in work. To ensure an infallibly healthy and safe working environment, the Group has adopted basic precautionary measures, such as:

Emergency response drills (held by fire units)

Safety inspections (day before holiday)

Cleaning of air-conditioning systems (once a season)

Disinfection of carpets (at least once a month)

Prohibition of smoking and drinking liquor in workplace

Education through bulletins and warning posters

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Different business segments have also implemented distinct but effective policies in OH&S and made progress in varying degrees. Licensed workers in Hong Kong, for example, are required to attend the compulsory Occupational Safety and Health courses provided by the Construction Industry Council to obtain the qualification or renew safety card. According to the Safety Management Framework, the Group has defined and clarified the duties of different departments to abate the occupational health and safety risks. For instance, warehouse manager holds responsibility for warehouse works; R&M (Repair and Maintenance) managers for workshop and onsite R&M work; Passenger Hoist team, just as its name implies, for any service work regarding the passenger hoist. Furthermore, the Group never neglects the details in its EHS (Environment, Health and Safety) management. All fire extinguishers are checked, maintained and replaced periodically by specific staffs. It is also worth noting that the subsidiary of the Group in Singapore, which was ISO 45001 certified, has been awarded the 'BizSafe Star' certification from the Workplace Safety and Health Council.

Notwithstanding the effective implementation of OH&S policies and productive success in controlling occupational safety risks, the Group believes that it is equally imperative to equip employees with relevant knowledge to protect themselves from the risks associated with work activities, which could indirectly help avoid the unnecessary financial cost of unwanted accidents and consequences. In FY2018, in-house safety trainings such as emergency management, hazardous materials handling, machine safeguarding, occupational health and safety courses were provided to the both experienced and new employees of the Group.

During the year under review, unlike FY2017, the Group found no work-related fatalities during its operations and did not violate any relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that may have a significant impact on the Group.

B.3. Development and Training

The Group believes that there are a number of benefits that accompanied by the provision of trainings to employees, and has therefore formulated a set of internal regulations such as 'Staff Training Regulations' for strengthening the working skills and knowledge of its employees.

Training, on which has been placed great emphasis by the Group, is significantly crucial to the Group.

a. Corporate trainings act as a catalyst for progressive learning;

b. Employees' weakness and deficiency of knowledge can be addressed;

c. Self and inter-personal trust, support and collaboration within the enterprise can be cultivated as soon as possible;

d. Higher productivity and revenue can be achieved rapidly once individual goals are integrated with the organisational targets through trainings;

e. With a high level of discipline and consistency with corporate vision, solidarity among employees and leadership can play important roles in innovation and development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Specifically, a complete training package is normally provided to all new hires, which covers the History of Company, Corporate Governance Structure, Corporate Culture, Business Processes, and Management System. As for experienced employees, profession-oriented courses are offered according to the corporate demands and employees' expectations. Through different types of trainings, the Group strives to make sure that all employees are technically competent to complete their daily tasks.

To further enhance its employees' professional skills and meet the needs of the Group's development goal, signing up for relevant qualification examinations and external trainings is greatly encouraged. Employees who take the professional qualification examinations and obtain vocational qualification certificates could receive a reimbursement from the Group. Meanwhile, the Group invites external organisations and experts for trainings on a regular basis. For instance, in FY2018 the Group collaborated with domestic technical institutes and equipment manufacturers to provide trainings to its servicing team, covering technical and product knowledge, and machine quality and safety standards.

CASE STUDY 1 — Trading and Leasing of Construction Machinery

TRAINING OVERVIEW: In FY2018, the Group arranged a multitude of trainings to its employees from different positions and management teams.

2018.3.1, 2018.5.14:
Two external trainings regarding 'Safe Use of Abrasive Wheels' were provided by Occupational Safety & Health Council. Three employees including one mechanic, one senior mechanic and one assistant service supervisor enrolled in the trainings.

2018.3.7, 2018.3.29, 2018.4.13, 2018.5.3...:
Various external trainings regarding 'Green Card Revalidation Course', 'Green Card Training Course', 'Tower Crane General Inspection and Maintenance Course' were provided by Construction Industry Council. Numbers of employees including one mechanic, one senior mechanic and one assistant service supervisor enrolled in the trainings.

2018.6.25:
One external training regarding 'Safety Training Course for Site Management Staff' was provided by Hong Kong Institute of Construction. One Engineering Department manager participated in the training.

CASE STUDY 2 – Cultivation and Processing of Exocarpium Citri Grandis

TRAINING OVERVIEW: In FY2018, the Group arranged a multitude of trainings to its experienced and newly hired workers at the base.

2018.3.14:
A Skill Training Course was offered to the new hires at the office of base. The training content covered company background, management strategy, and detailed operational skills, such as fertilising, trimming, spraying the pesticide, identifying plant disease and insects.

2018.4.16:
A training course called 'Safe Production' was held at the doorway of kitchen in the base, and all employees were required to attend. The training laid emphasis on three main topics, namely the significance and concept of safety, safety issues in transportation, and matters needing attention for outdoor work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.4. Labour Standards

In FY2018, the Group abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Labour Law of the People's Republic of China (中華人民共和國勞動法) and Employment Act (Singapore) to prohibit any child and forced labour employment. To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources department requires all job applicants to provide valid identity documents to ensure that they are lawfully employable prior to confirmation of any employment. The human resources department holds responsibility to monitor and guarantee the compliance of corporate policies and practice with latest laws that prohibit child labour and forced labour. Once the Group found any case against labour standards, the employment will be immediately terminated.

In FY2018, the Group was not in violation of any relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

A sound supply chain management is the lifeblood to the Group in its business development and the mitigation of underlying environmental and social risks throughout the entire value chain has long been given serious attention by the subsidiaries of the Group in order to seek a reliable and stable financial income while fulfilling its environmental commitment. As a socially responsible enterprise, the Group is fully aware of its duty and obligation to strengthen its management and control on its suppliers, sub-contractors and other stakeholders from the perspectives of environmentally-friendly production process, procurement practice, safety monitoring, and strategic planning for future collaboration.

Trading and Leasing of Construction Machinery

In FY2018, the Group was still the authorised dealer on trading and leasing of "Potain" brand tower cranes in Hong Kong. The manufacturer of "Potain" brand tower cranes is Manitowoc Crane Group Asia Pte ("Manitowoc"), which has long been the Group's major supplier in the business of Trading and Leasing of Construction Machinery. Since 2016, Manta Hong Kong has also been the exclusive dealer of GJJ passenger hoists by Jing Long Eng. Machinery Co., Ltd. (廣州市京龍工程機械有限公司) ("Jing Long") in Hong Kong and Macau. The Group has formal written distribution agreements for both dealerships. During the year under review, the Group collaborated with Manitowoc based on the mutual understanding and had an exclusive agreement with Jing Long in the procurement of GJJ passenger hoists.

Although the work of installation, erection, floor climbing operation and dismantling work of tower cranes and passenger hoists was outsourced by the Group to third party subcontractors through tendering process, the Group puts great emphasis on the potential risks during the tendering process and post-management on the performance of sub-contractors in a bid to make sure that they comply with the requirement that has been agreed upon in the contract based on rounds of negotiations. In terms of tendering process, to stabilise the supply chain and avoid the monopoly of supply, a specific department of the Group normally keeps in touch with at least two tenders. After a careful comparison of the price, product quality, environmental management qualification and certification, a final decision is made for management's approval. The Group insists on a fair and transparent tendering process, and therefore regulates that factors including law-compliance, business licenses and job reference and certification must be incorporated in the sub-contractor selection process and should be recorded. For instance, core members of subcontractors that are involved in the project are investigated by the Group to make sure that they possess relevant certifications to prove their competency in the work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also commits to lessen the negative environmental impact that might arise in sourcing activities. Service Supervisor needs to inspect the works performed by the sub-contractors on site, provides relevant advisory guidance, and records any inappropriate practice that will be discussed with sub-contractors for rectification, to ensure the quality of work and that operating performance meet both the technical and environmental requirements. Therefore, a good relationship with suppliers is quite important and the Group has put efforts in reinforcing the communication and cooperation with them through a variety of channels.

Cultivation and Processing of Exocarpium Citri Grandis

In this business segment, the major raw materials from suppliers are organic fertilisers such as animal manure. The supplier's capability of stable supply of quality products and the cost of products are two prime factors for considerations of the Group. As such, the procurement department screens the suppliers and makes a recommendation list first, from which the team leader picks the best one in terms of its overall level. It is the responsibility of the procurement and audit departments to oversee the selection process and annual reviewing of suppliers. Once the input of supplies is in place, the laboratory owned by the Group will run tests on the materials to make sure that they comply with the quality standards of the Group and relevant national safety standards. If the supplied materials failed the tests, the procurement department would negotiate with suppliers for refund under the contract and follow up the incident. To better illustrate the exocarpium citri grandis business, a concise supply chain management of the Group is described in the diagram below.

Picking fresh fruit – Drying in oasthouse – Ranking and classification – Stock in – Stock out – Transportation – Client's warehouse

Supply chain risk management has long been a critical issue for the Group to maintain its long-term success and competitive edge in the market. To prevent the potential shortage of supply, the Group normally gives a notice to its suppliers to stock up the materials in advance that are in high demand according to the market. The Group believes that this practice could to large extent lower the risks of scarcity of supply that leads to irrevocable loss. What is more, the Group has an alternative supplier list to prepare for unpredictable emergency (e.g. suppliers cannot provide materials on time due to force majeure). Given the geographical location of the business of exocarpium citri grandis, which is situated in small basins and embosomed by hills, the Group is scarcely impacted by the climate. Meanwhile, according to the evaluation of present agriculture market, the Group anticipates a stable agriculture regulation and policy in the near future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.6. Product Responsibility

With regard to the Group's health and safety, advertising, labelling and privacy matters of its products and services, the Group was in full compliance with the relevant rules, regulations and standards in Hong Kong, the PRC and Singapore, including but not limited to the:

- Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Hong Kong);
- Guidelines on Safety of Tower Cranes (Hong Kong);
- Guidelines on Safety of Lift Shaft Works (Hong Kong);
- Code of Practice for Safe Use of Tower Cranes (Hong Kong);
- Boilers and Pressure Vessels Ordinance (Hong Kong);
- Code of Practice for Owners of Boilers and Pressure Vessels;
- Workplace Safety and Health Act (Singapore);
- Work Injury Compensation Act (Singapore);
- Pharmacopoeia of the People's Republic of China (2015版中國藥典);
- Product Quality Law of the People's Republic of China (中華人民共和國產品質量法);
- Production Safety Law of the People's Republic of China (中華人民共和國安全生產法);
- Patent Law of the People's Republic of China (中華人民共和國專利法);
- Trademark Law of the People's Republic of China (中華人民共和國商標法);
- Advertising Law of the People's Republic of China (中華人民共和國廣告法); and
- Intellectual Property Law of the People's Republic of China (中華人民共和國知識產權法).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Trading and Leasing of Construction Machinery

For the business of Trading and Leasing of Construction Machinery in Hong Kong and Singapore, the Group has always put focus on the health and safety matters. Specifically, as Manitowoc is the Group's only supplier of "Potain" brand tower cranes in Hong Kong and Singapore, the Group adheres to the Potain's product operating and maintenance manuals, and its internal policies in the maintenance works to eliminate the risks during construction project that might be caused by the aging, failure, or other malfunctions. For example, the basic maintenance including painting, polishing and reinforcement of connecting parts, and lubrication of moving components are carried out on a regular basis, while a more thorough check and maintenance is conducted after the rental period in order to keep the high efficiency and proper function of equipment. Before the erection, climbing and dismantling of machines, relevant inspections are required. In Hong Kong, the subsidiary normally engages external government Authorised Examiners ("AE") to perform ultrasonic test and corrosion prevention test along with professional engineering calculations before operations. In Singapore, a certification from AE is necessitated for erected T-cranes. It is worth mentioning that the labour department of the Group in Hong Kong is responsible for enforcing OH&S regulations in the company and has established a legislative framework as reference and advisory guides for health and safety assurance in operations.

'Customer satisfaction' is also an important subject for the Group, in which an in-house servicing team with professional engineers and experts in Hong Kong and Singapore has been built to deal with after-sale issues, such as repair and maintenance. Customers' requests and enquiries regarding the operation of machineries should be coped with in a timely manner. An onsite inspection and guidance are necessary to make sure that customers of the Group can operate the equipment and achieve their goals safely and successfully. To ensure a rapid response and efficient problem-solving process, an abundant inventory of replacement and spare components for maintenance is crucial, of which the Group has an intelligent and effective system on the management. Once any complaint from client is received, the quality control department will conduct investigation and verification immediately. The substantiated complaints are then addressed and corrective actions that are detailed in internal policies will be taken to sum up experience and prevent similar incident in the future. An internal 'Product Recall Control Procedures' policy is referred as a guide for the Group to deal with any product recall matters that might be caused by product defect, safety hazard or non-compliance with relevant regulations.

Cultivation and Processing of Exocarpium Citri Grandis

The product of exocarpium citri grandis from the Group is certified of 'National Geographical Indications Protection Product (國家地理標誌保護產品)' by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ). To this business segment, product quality and intellectual property rights are significant. To ensure that the top-notch and reliable products could be delivered to its customers, the Group was certified of Good Agricultural Practice ("GAP") (GB/T20014) and implemented a series of measures according to its internal quality control policies.

The Group has been dedicated to protecting its intellectual property rights (IPR), which is essential to its sustainable business growth in the industry of the cultivation of exocarpium citri grandis. To make sure that the corporate intellectual property rights can be protected, the Group has stuck to the 'Enterprise Intellectual Property Management Standard (GB/T 29490-2013)' to restructure and optimise its internal IPR protection system. The Group commits to formulate a formal internal policy that guides the senior management and the enterprise to manage its proprietary technology and invention in the next year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Both business segments of the Group paid attention to the protection of customer privacy during the year under review as an effective implementation of internal confidential information management was quite significant to ensure that its customers' rights could be strictly protected and a reliable relationship between the Group and its clients could be built. For example, the information collected by the Group from its customers would be used only for the purpose that has been agreed upon. During the reporting year, there were no substantiated complaints received concerning breaches of customer privacy and losses of customer data within the Group.

B.7. Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group abided by the local laws and regulations relating to anti-corruption and bribery, irrespective of the region where the Group operates, including the:

- Anti-corruption law of the People's Republic of China (中華人民共和國反腐敗法);
- Law of the People's Republic of China on Anti-Money Laundering (中華人民共和國反洗錢法);
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong);
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong); and
- Prevention of Corruption Act (Singapore).

The Group has also formulated and strictly enforced its anti-corruption policies as stipulated in its 'Code of Conduct and Discipline' and 'Staff Handbook' to manage any fraudulent practices. The Group prohibits all forms of bribery and corruption and requires all employees to strictly stick to the codes of professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests. During the year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

Whistle-blowers can report verbally or in writing to the Audit Committee of the Group for any suspected misconduct with evidence. Any suspiciously illegal behaviour would be investigated, evaluated and disciplined then to protect the Group's interests. The Group promotes an effective grievance mechanism to protect the whistle-blowers from unfair dismissal or victimisation.

During the year under review, the Group was not in any violation of relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY

B.8. Community Investment

As a corporate citizen, the Group realises the importance of making a positive contribution to communities where the Group operates, and always takes the interests of communities as its top priority matters, especially promoting environmental protection, engaging with underprivileged youths and supporting the reconstruction of infrastructure of local communities. The Group in FY2018, for instance, actively participated in the 'Low Carbon, Enjoy Green Living 2.0' activity organised by Rainbow Foundation with a group of impoverished students to explore eco-friendly ways we live and work. In addition, the Group made a donation of HK$1,000 and HK$5,000 to Rainbow Foundation to support a myriad of activities and campaigns. During the year under review, the Group also provided support and manpower to do the road repairing work for local communities in Huazhou City.

To better fulfil its social responsibilities and consistently bring benefits to local communities, the Group will steadfastly play a leading role in the industry and push forward its concrete efforts to pursue the harmonious and symbiotic prosperity with communities.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF EAGLE LEGEND ASIA LIMITED 鵬程亞洲有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Eagle Legend Asia Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 60 to 160, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment on goodwill and property, plant and equipment

(Refer to notes 5, 6, 17 and 18 to the consolidated financial statements)

As at 31 December 2018, the Group had goodwill with carrying amount of approximately HK$75,706,000 relating to the acquisition of subsidiaries engaged in cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in prior years and property, plant and equipment with carrying amount of approximately HK$489,116,000. For the year ended 31 December 2018, there was no impairment in respect of the goodwill and a reversal of impairment loss on property, plant and equipment engaged in leasing of construction machinery of approximately HK$1,693,000 has been recognised.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Impairment assessment on goodwill and property, plant and equipment *(Continued)*

Management is required to test annually the amount of goodwill for impairment and property, plant and equipment where impairment indicator or indicator of reversal of impairment was identified. For the purposes of assessing impairment by the management, goodwill and some property, plant and equipment are tested at cash-generating unit level and some property, plant and equipment are tested individually for impairment. Management has engaged independent professional valuers as the management's experts in assisting the assessment of the recoverable amounts of these assets. In carrying out the impairment assessment, significant management judgement was used to determine the underlying key assumptions and estimations.

Our key audit procedures in relation to the management's impairment assessment on goodwill and property, plant and equipment included:

– Assessing the appropriateness of the valuation methodology in respect of the assessment of the recoverable amounts;

– Assessing the reasonableness of the underlying key assumptions and estimations used;

– Checking the appropriateness of key input data used in the assessment of the recoverable amounts;

– Involving an auditor's expert to assist our assessment on the reasonableness of key assumptions and estimations and appropriateness of the valuation methodology; and

– Evaluating the competency, capabilities and objectivity of the management's experts and auditor's expert.

Valuation of biological assets

(Refer to notes 5, 6 and 19 to the consolidated financial statements)

As at 31 December 2018, the Group had biological assets with fair value of approximately HK$6,052,000. For the year ended 31 December 2018, a gain arising from change in fair value less costs to sell of biological assets of approximately HK$83,996,000 was recorded in the consolidated statement of comprehensive income. To support management's estimation of the fair value, the Group engaged an independent professional valuer as the management's expert to assist the management in assessing the fair value effect arising from the biological assets.

Valuation of the Group's biological assets are dependent on certain key assumptions and estimations that require significant management judgement.

The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the biological assets.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Valuation of biological assets *(Continued)*

Our key audit procedures in relation to the management's valuation of biological assets included:

– Assessing the appropriateness of the valuation methodology in respect of the determination of the fair value of biological assets;

– Assessing the reasonableness of the underlying key assumptions and estimations used;

– Checking the appropriateness of key input data used in the valuation of biological assets;

– Involving an auditor's expert to assist our assessment on the reasonableness of key assumptions, estimations and appropriateness of the valuation methodology; and

– Evaluating the competency, capabilities and objectivity of the management's expert and auditor's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate no. P04743

Hong Kong, 21 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	8	190,316	206,805
Cost of sales and services		(88,868)	(98,782)
Gross profit		101,448	108,023
Gain arising from changes in fair value less costs to sell of biological assets	19	83,996	49,639
Other income and gains	9	7,820	12,340
Selling and distribution expenses		(2,831)	(2,608)
Administrative expenses		(73,015)	(59,740)
Other operating expenses	10	(69,846)	(67,753)
Finance costs	11	(37,766)	(49,827)
Profit/(loss) before income tax	12(a)	9,806	(9,926)
Income tax credit	13	1,833	1,924
Profit/(loss) for the year from continuing operations		11,639	(8,002)
Discontinued operation			
Profit for the year from discontinued operation	12(b)	–	319
Profit/(loss) for the year		11,639	(7,683)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of properties held for own use, net of tax		1,780	1,819
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(27,018)	28,041
Release of translation reserve upon disposal of subsidiaries	40	–	3,530
Other comprehensive income for the year		(25,238)	33,390
Total comprehensive income for the year		(13,599)	25,707

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		(42,672)	(47,768)
– Discontinued operation		–	319
Loss for the year attributable to owners of the Company		(42,672)	(47,449)
Non-controlling interests			
– Continuing operations		54,311	39,766
– Discontinued operation		–	–
Profit for the year attributable to non-controlling interests		54,311	39,766
		11,639	(7,683)
Total comprehensive income attributable to:			
– Owners of the Company		(52,187)	(26,106)
– Non-controlling interests		38,588	51,813
		(13,599)	25,707
Loss per share from continuing and discontinued operations			
– Basic and diluted (HK cents)	15	(4.03)	(4.89)
Loss per share from continuing operations			
– Basic and diluted (HK cents)	15	(4.03)	(4.92)
Earnings per share from discontinued operation			
– Basic and diluted (HK cents)	15	N/A	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*17*	**489,116**	511,022
Goodwill	*18*	**75,706**	75,036
Deposit	*22*	**107**	199
		564,929	586,257
Current assets			
Biological assets	*19*	**6,052**	5,766
Inventories and consumables	*20*	**92,012**	45,428
Trade receivables	*21*	**26,363**	19,916
Prepayments, deposits and other receivables	*22*	**8,704**	10,753
Cash and cash equivalents	*23*	**120,487**	152,556
		253,618	234,419
Current liabilities			
Trade payables	*24*	**27,145**	30,334
Receipt in advance, accruals and other payables	*25*	**31,832**	102,833
Contract liabilities	*25*	**2,858**	–
Bank borrowing	*26*	**2,100**	2,108
Shareholder's loans	*27*	**178,000**	–
Bonds payable	*29*	**–**	77,803
Finance lease payables	*31*	**28,610**	34,143
Deferred government grants	*32*	**1,155**	1,157
		271,700	248,378
Net current liabilities		**(18,082)**	(13,959)
Total assets less current liabilities		**546,847**	572,298

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bank borrowing	*26*	**13,754**	16,165
Finance lease payables	*31*	**41,341**	47,882
Deferred government grants	*32*	**7,674**	8,681
Deferred tax liabilities	*33*	**1,720**	3,613
		64,489	76,341
Net assets		**482,358**	495,957
EQUITY			
Share capital	*34*	**10,600**	10,600
Reserves	*35*	**261,251**	313,438
Equity attributable to the owners of the Company		**271,851**	324,038
Non-controlling interests	*39*	**210,507**	171,919
Total equity		**482,358**	495,957

Zeng Li
Executive Director

Winerthan Chiu
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital HK$'000	Share premium* HK$'000	Statutory Reserve* HK$'000	Merger reserve* HK$'000	Property revaluation reserve* HK$'000	Translation reserve* HK$'000	Accumulated losses* HK$'000	Equity attributable to the owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2017	9,600	255,421	–	120,985	8,519	(4,629)	(132,155)	257,741	120,106	377,847
(Loss)/profit for the year	–	–	–	–	–	–	(47,449)	(47,449)	39,766	(7,683)
Gain on revaluation of properties held for own use, net of tax	–	–	–	–	1,819	–	–	1,819	–	1,819
Exchange difference on translating foreign operations	–	–	–	–	–	15,994	–	15,994	12,047	28,041
Release of translation reserve upon disposal of subsidiaries *(Note 40)*	–	–	–	–	–	3,530	–	3,530	–	3,530
Total comprehensive income for the year	–	–	–	–	1,819	19,524	(47,449)	(26,106)	51,813	25,707
Transfer to statutory reserve	–	–	2,815	–	–	–	(2,815)	–	–	–
Shares issued in settlement of promissory note payable *(Note 34)*	1,000	92,000	–	–	–	–	–	93,000	–	93,000
Share issuance expenses *(Note 34)*	–	(597)	–	–	–	–	–	(597)	–	(597)
Depreciation transfer on property held for own use carried at fair value, net of tax	–	–	–	–	(275)	–	275	–	–	–
Balance at 31 December 2017 and 1 January 2018	10,600	346,824	2,815	120,985	10,063	14,895	(182,144)	324,038	171,919	495,957
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(42,672)**	**(42,672)**	**54,311**	**11,639**
Gain on revaluation of properties held for own use, net of tax	**–**	**–**	**–**	**–**	**1,780**	**–**	**–**	**1,780**	**–**	**1,780**
Exchange difference on translating foreign operations	**–**	**–**	**–**	**–**	**–**	**(11,295)**	**–**	**(11,295)**	**(15,723)**	**(27,018)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,780**	**(11,295)**	**(42,672)**	**(52,187)**	**38,588**	**(13,599)**
Transfer to statutory reserve	**–**	**–**	**2,842**	**–**	**–**	**–**	**(2,842)**	**–**	**–**	**–**
Depreciation transfer on property held for own use carried at fair value, net of tax	**–**	**–**	**–**	**–**	**(335)**	**–**	**335**	**–**	**–**	**–**
Balance at 31 December 2018	**10,600**	**346,824**	**5,657**	**120,985**	**11,508**	**3,600**	**(227,323)**	**271,851**	**210,507**	**482,358**

* At 31 December 2018, the reserves accounts comprise the consolidated reserves of approximately HK$261,251,000 (2017: approximately HK$313,438,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax			
– From continuing operations		**9,806**	(9,926)
– From discontinued operation	*12(b)*	**–**	(1,235)
		9,806	(11,161)
Adjustments for:			
Bank interest income	*9*	**(1,112)**	(186)
Gain on early settlement of promissory note payable	*9*	**–**	(5,496)
Loss/(gain) on disposal of property, plant and equipment	*12(a)*	**3**	(62)
Amortisation of deferred government grants for acquisition of property, plant and equipment	*9*	**(1,148)**	(1,285)
Impairment loss/(recovery of impairment loss) on trade receivables, net	*12(a)*	**1,268**	(31)
Impairment loss on other receivables, net	*12(a)*	**9**	–
Gain arising from changes in fair value less costs to sell of biological assets	*19*	**(83,996)**	(49,639)
Write-down of inventories to net realisable value	*12(a)*	**–**	201
Depreciation of property, plant and equipment	*12(a)*	**55,418**	57,026
Amortisation of payments for leasehold land held for own use under operating lease	*12(a)*	**–**	372
Interest expenses	*11*	**37,766**	50,452
Reversal of impairment loss on property, plant and equipment	*9*	**(1,693)**	–
Written off of property, plant and equipment	*12(a)*	**88**	24
Operating profit before working capital changes		**16,409**	40,215
Increase in biological assets		**(729)**	(229)
Decrease in inventories and consumables		**25,060**	45,383
Increase in trade receivables		**(7,808)**	(599)
Decrease in prepayments, deposits and other receivables		**1,945**	7,454
(Decrease)/increase in trade payables		**(2,684)**	5,956
Increase/(decrease) in receipt in advance, accruals and other payables		**1,197**	(5,619)
Increase in contract liabilities		**1,878**	–
Cash generated from operations		**35,268**	92,561
Interest paid		**(86,112)**	(5,311)
Net cash (used in)/from operating activities		**(50,844)**	87,250

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Proceeds from disposal of subsidiaries, net of cash disposed	40	–	38,423
Interest received		1,112	186
Purchase of property, plant and equipment	41	(17,549)	(14,348)
Payments for plantation costs and others to immature bearer plants		(6,614)	(11,717)
Proceeds from disposal of property, plant and equipment		103	629
Proceeds from redemption of short-term investment		–	11,500
Settlement of cash portion of consideration of acquisition in prior year		–	(110,000)
Net cash used in investing activities		(22,948)	(85,327)
Cash flows from financing activities			
Shares issuance expenses		–	(597)
Proceeds from new finance leases	41(b)	8,085	3,822
Repayment of obligations under finance leases	41(b)	(36,691)	(45,256)
Proceeds from new bank borrowings	41(b)	–	23,000
Repayment of bank borrowings	41(b)	(2,076)	(24,831)
Repayment of bonds payables	41(b)	(100,000)	–
Proceeds from other loans payable	41(b)	35,000	–
Repayment of other loans payables	41(b)	(35,000)	(5,289)
Proceeds from shareholder's loans	41(b)	178,000	–
Net cash from/(used in) financing activities		47,318	(49,151)
Net decrease in cash and cash equivalents		(26,474)	(47,228)
Cash and cash equivalents at the beginning of year		152,556	198,456
Effect of exchange rates changes on cash and cash equivalents		(5,595)	1,328
Cash and cash equivalents at the end of year	23	120,487	152,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Eagle Legend Asia Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Room 3607, 36/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. The Company and its subsidiaries (collectively known as the "Group") is principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery ("Construction Equipment Business"); and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings ("Plantation Business"). The principal activities of the subsidiaries are described in note 38.

The Company's issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 July 2010. The immediate and ultimate holding company of the Company is Harbour Luck Investments Limited which is incorporated in Hong Kong with limited liability.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements on page 60 to 160 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis, except that the following assets are stated at fair values as explained in the accounting policies set out below:

– land and building carried at fair value; and

– biological assets except for bearer plants.

At the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK$18,082,000. The directors of the Company (the "Directors") consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2018, on the basis that (a) an undertaking from the immediate and ultimate holding company not to demand repayment of the unsecured shareholder's loans due by the Group of approximately HK$178,000,000 as at 31 December 2018 until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business; and (b) an unsecured shareholder's loan of HK$2,500,000 obtained from the immediate and ultimate holding company of the Company as a liquidity cushion for operating cash flows, of which the loan has been drawn down subsequent to the reporting date on 27 February 2019 (Note 47). The Directors are of the opinion that, in the absence of unforeseen adverse circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting period. Accordingly, the financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

If the going concern basis is not appropriate, adjustments would have to be made to reduce the values of the assets to net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the board of Directors (the "Board") on 21 March 2019.

4. ADOPTION OF HKFRS

(a) Amendments to HKFRS that are mandatory effective for current year

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A. HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 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: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income ("OCI") unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** HK$'000	**Carrying amount as at 1 January 2018 under HKFRS 9** HK$'000
Trade and other receivables and deposits	Loans and receivables	Amortised cost	26,423	26,423
Cash and cash equivalents	Loans and receivables	Amortised cost	152,556	152,556

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVTOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

No additional impairment for trade and other receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECLs model is immaterial.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Measurement of ECLs (Continued)

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Credit-impaired financial assets

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economics or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties of the issuer; or

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Credit-impaired financial assets (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVTOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables and contract asset. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for these receivables as at 1 January 2018.

(b) Impairment of other receivables and deposits

Other financial assets at amortised cost of the Group includes other receivables and deposits. No additional impairment for these financial assets as at 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

A. HKFRS 9 – Financial Instruments *(Continued)*

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held.

B. HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 applies to the contracts with customers for the following transactions:

- Sales of machinery and spare parts
- Service income
- Sales of dried exocarpium citri grandis

Rental income from leasing of owned plant and machinery and those held under finance leases and from subleasing of plant and machinery will continue to be accounted for in accordance with HKAS 17 “Leases”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

B. HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. The Group has adopted the modified retrospective approach for transition to HKFRS 15. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of retained profit in the period of adoption, i.e. as at 1 January 2018; and (iv) the Group elects to apply HKFRS 15 only to contracts that are not completed contracts at 1 January 2018. The Directors considered that HKFRS 15 did not result in significant impact on the Group's accounting policies.

1. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised when the risks and rewards of ownership of the goods had passed to the customers. Service income was recognised when the services are rendered. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

B. HKFRS 15 – Revenue from Contracts with Customers *(Continued)*

1. Timing of revenue recognition *(Continued)*

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Under HKFRS 15, the Group recognises revenue from sale of goods at a point in time and revenue from services for over time.

2. Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

3. Presentation and disclosure requirements

Disaggregation of revenue

As required for these financial statements, the Group's disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosures of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 7(b) and note 8 for the disclosure on disaggregated revenue.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

At the date of initial application, 1 January 2018, the Group has deposits received from customers amounted to HK$993,000 previously included in receipt in advance were reclassified to contract liabilities upon application of HKFRS 15.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(a) Amendments to HKFRS that are mandatory effective for current year *(Continued)*

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the Group does not have investment property.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies 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 thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(b) New/revised HKFRS that have been issued but are not yet effective

The following new/revised HKFRS, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for transactions that occur on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(b) New/revised HKFRS that have been issued but are not yet effective *(Continued)*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases under operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 42(b), the Group's future minimum lease payments under non-cancellable operating leases amounted to approximately HK$10,944,000 as at 31 December 2018. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

Amendments to HKFRS 3 – Definition of a Business

The amendments improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in HKFRS Standards, helps entities decide whether information should be included in their financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 5(o)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Land and building carried at fair value is property where the fair value of the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease which is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of leasehold land at the inception of the lease, and other items of plant and equipment other than construction in progress and bearer plants, are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Land and building carried at fair value	Over the lease terms
Building carried at cost	30 years
Leasehold improvements	5 to 30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years
Bearer plants	15 years but not exceeding the lease terms of the six parcels of woodlands with total area of 2,151.36 mu (the "Woodlands")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Construction in progress is stated at cost less impairment losses. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

A bearer plant is a living plant that:

(i) is used in the production or supply of agricultural produce;

(ii) is expected to bear produce for more than one period; and

(iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants of the Group comprise fruit trees of exocarpium citri grandis ("Fruit Trees") in the Woodlands, exocarpium citri grandis is involved in the agricultural activities of the biological transformation of the plantation of bearer plants for production of agricultural produce for sale or further processing.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment. No depreciation is provided for in respect of bearer plants until they are in the location and condition necessary to be capable of operating in the manner intended by the management, which is the point of maturity of bearer plants.

Bearer plants are stated as cost less impairment losses before they reach maturity. Depreciation of bearer plants is started from the stage that bearer plants reach stage of maturity.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building carried at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological assets of the Group relate to the following:

(i) Consumable biological assets – Exocarpium citri grandis growing on bearer plants ("Growing Produce") and seedlings of exocarpium citri grandis ("Seedlings")

(ii) Agricultural produce – Harvested exocarpium citri grandis ("Fresh Fruits")

The consumable biological assets relate to Growing Produce and Seedlings, which are current assets, because they can be sold at any time not depending on the age. Growing Produce and Seedlings are stated at fair value less estimated costs to sell. Changes in fair value less costs to sell of biological assets except for bearer plants are recognised in the profit or loss.

Agricultural produce harvested from bearer plants is measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

(f) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income is recognised in accordance with note 5(j). Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

(g) Financial Instruments

(a) Financial Instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(a) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(i) Financial assets *(Continued)*

Debt instruments (Continued)

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade and other receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(a) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(a) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Credit-impaired financial assets

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

– the lender(s) of the borrower, for economics or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties of the issuer; or

– the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. Interest income on non credit-impaired financial assets is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(a) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. The Group's financial liabilities include trade and other payables, accruals, bank borrowing, other loan payables, shareholder's loans, bonds payable and finance lease payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability, and, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment in the profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Bank borrowing

Bank borrowing is recognised initially at fair value, net of transaction costs incurred. Bank borrowing is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowing using the effective interest method.

Bank borrowing is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance lease payables

Finance lease payables are measured at initial value less the capital element of lease repayments.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(a) Financial Instruments (accounting policies applied from 1 January 2018) *(Continued)*

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(b) Financial Instruments (accounting policies applied until 31 December 2017)

The group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(b) Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade and other payables, accruals, bank borrowing, other loans payable, bonds payable, promissory note payable and finance lease payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability, and, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment in the profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Financial Instruments *(Continued)*

(b) Financial Instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) Financial liabilities *(Continued)*

Bank borrowing

Bank borrowing are recognised initially at fair value, net of transaction costs incurred. Bank borrowing is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Bank borrowing is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance lease payables

Finance lease payables are measured at initial value less the capital element of lease repayments.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories for sales of cranes and spare parts is calculated using first-in-first-out method whereas cost of inventories for sales of proprietary Chinese medicines and health products, and exocarpium citri grandis and its seedlings is determined using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Revenue recognition

(a) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue is net of value added tax or other sales taxes, if any and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition *(Continued)*

(a) Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Under HKFRS 15, revenue from sales of goods is recognised at a point in time upon delivery and there is no unfulfilling performance obligation after the acceptance of goods. There is generally only one performance obligation in a contract. There is no material variable consideration and right of return. Revenue from services is recognised over time upon completion of services and there is no unfulfilling performance obligation after the service rendered. There is generally only one performance obligation in a contract. There is no material variable consideration and right of return. Services income of the Group mainly represents service derived from including erection, climbing and dismantling of tower cranes. The services period is, in general, ranging from 1 to 14 days or based on the requirements of the services provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income from leasing of owned plant and machinery and those held under finance leases and from subleasing of plant and machinery will continue to be accounted for in accordance with HKAS 17 “Lease”.

(b) Revenue recognition (accounting policies applied until 31 December 2017)

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group’s assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

(ii) Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

(iii) Service income is recognised when the services are rendered.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition *(Continued)*

(c) Contract assets and liabilities (accounting policies applied from 1 January 2018)

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(d) Contract costs (accounting policies applied from 1 January 2018)

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

– the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

– the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

– the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised direct in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

– the Group has the legally enforceable right to set off the recognised amounts; and

– intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

– the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

– the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(l) Foreign currency

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Foreign currency *(Continued)*

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(m) Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Company's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Company's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Company's subsidiaries which operate in Macao Special Administrative Region ("Macau") and the People's Republic of China, excluding Hong Kong Special Administrative Region ("Hong Kong"), Macau and Taiwan, (the "PRC") are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute certain percentage of its payroll costs to the central pension schemes in Macau and the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(o) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment under cost model; and

– Investments in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the assets.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

The Group has identified the following reportable segments:

– Hong Kong

– Singapore

– Vietnam

– Macau

– PRC

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRS, except that:

– Interests on bonds payable

– Interests on shareholder's loans

– Certain finance costs

– Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving the operating results of the operating segment.

Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude bonds payable and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the going concern assumption is set out in note 2(b).

(b) Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(c) Fair value measurement *(Continued)*

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued land and buildings – Property, plant and equipment (Note 17);
- Biological assets except for bearer plants (Note 19).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(e) Loss allowance for trade and other receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

(f) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 5(c). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows with the assistance of independent professional valuer.

(g) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment or reversal of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows. When fair value less costs of disposal calculations are undertaken, the fair value was estimated using relevant valuation technique and make reference to recent market comparative for similar assets adjusted for differences in condition in order to determine the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(h) Bearer plants and depreciation

The Group determines the estimated point of maturity, useful lives and related depreciation charges for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity and actual useful lives of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity and useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services from which are subject to risks and returns that are different from those of the other operating segments.

(a) Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below:

	Continuing operations						
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Total HK$'000
Year ended 31 December 2018							
Revenue							
From external customers	63,299	44,978	–	–	82,039	–	190,316
From inter segment	10,475	–	–	–	–	(10,475)	–
Reportable segment revenue	73,774	44,978	–	–	82,039	(10,475)	190,316
Reportable segment (loss)/profit	(15,245)	(19,410)	92	59	91,699	–	57,195
Interest on bonds payable							(27,313)
Interest on shareholder's loans							(6,012)
Unallocated corporate expenses							(12,231)
Profit for the year							11,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

(a) *(Continued)*

	Continuing operations						
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Total HK$'000
Other reportable segment information							
Interest income	1	2	–	–	1,109	–	1,112
Interest expenses	(2,832)	(1,734)	(1)	–	–	126	(4,441)
Gain arising from changes in fair value less costs to disposal of biological assets	–	–	–	–	83,996	–	83,996
Depreciation of non-financial assets	(15,384)	(22,674)	–	–	(17,360)	–	(55,418)
(Impairment loss)/recovery of impairment loss on trade receivables, net	(1,200)	(296)	228	–	–	–	(1,268)
Impairment loss on other receivables, net	(9)	–	–	–	–	–	(9)
Reversal of impairment loss on property, plant and equipment	–	1,693	–	–	–	–	1,693
(Loss)/gain on disposal of property, plant and equipment	(9)	6	–	–	–	–	(3)
Amortisation of deferred government grants for acquisition of property, plant and equipment	–	–	–	–	1,148	–	1,148
Income tax (expense)/credit	(1,414)	3,247	–	–	–	–	1,833
Additions to non-current segment assets during the year	17,292	13,113	–	–	21,023	–	51,428

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Total HK$'000
At 31 December 2018							
Reportable segment assets	149,726	172,955	289	173	493,850	(2,510)	814,483
Other unallocated segment asset							4,064
Total assets							818,547
Reportable segment liabilities	69,670	60,757	283	26	21,441	–	152,177
Shareholder's loans							178,000
Other unallocated segment liability							6,012
Total liabilities							336,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

(a) *(Continued)*

	Continuing operations							Discontinued operation			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Subtotal HK$'000	Hong Kong HK$'000	PRC HK$'000	Subtotal HK$'000	Total HK$'000
Year ended 31 December 2017											
Revenue											
From external customers	60,529	56,945	–	–	89,331	–	206,805	–	38,666	38,666	245,471
From inter segment	–	4,430	–	–	–	(4,430)	–	–	–	–	–
Reportable segment revenue	60,529	61,375	–	–	89,331	(4,430)	206,805	–	38,666	38,666	245,471
Reportable segment (loss)/profit	(3,548)	(13,267)	(72)	(32)	67,224	–	50,305	(7)	326	319	50,624
Interest on bonds payable							(36,122)			–	(36,122)
Interest on promissory note payable							(9,019)			–	(9,019)
Unallocated corporate expenses							(13,166)			–	(13,166)
(Loss)/profit for the year							(8,002)			319	(7,683)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

(a) *(Continued)*

	Continuing operations							Discontinued operation			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Subtotal HK$'000	Hong Kong HK$'000	PRC HK$'000	Subtotal HK$'000	Total HK$'000
Other reportable segment information											
Interest income	2	5	–	–	176	–	183	–	3	3	186
Interest expenses	(1,510)	(3,176)	–	–	–	–	(4,686)	–	(625)	(625)	(5,311)
Gain arising from changes in fair value less costs to disposal of biological assets	–	–	–	–	49,639	–	49,639	–	–	–	49,639
Amortisation on payments for leasehold land held for own use under operating leases	–	–	–	–	–	–	–	–	(372)	(372)	(372)
Depreciation of non-financial assets	(14,862)	(25,629)	–	–	(14,354)	–	(54,845)	–	(2,181)	(2,181)	(57,026)
Recovery of impairment loss on trade receivables, net	–	31	–	–	–	–	31	–	–	–	31
Gain on disposal of property, plant and equipment	26	36	–	–	–	–	62	–	–	–	62
Write-down of inventories	–	–	–	–	–	–	–	–	(201)	(201)	(201)
Amortisation of deferred government grants for acquisition of property, plant and equipment	–	–	–	–	1,285	–	1,285	–	–	–	1,285
Income tax credit	226	1,698	–	–	–	–	1,924	–	323	323	2,247
Additions to non-current segment assets during the year	35,771	5,858	–	–	21,860	–	63,489	–	82	82	63,571

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Total HK$'000
At 31 December 2017							
Reportable segment assets	159,492	182,991	105	192	427,880	(2,510)	768,150
Other unallocated segment asset							52,526
Total assets							820,676
Reportable segment liabilities	72,938	81,762	280	126	21,281	–	176,387
Bonds payable							77,803
Other unallocated segment liability							70,529
Total liabilities							324,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

(b) In the following table, revenue is disaggregated by primary geographical markets of which the external customers from. The table also includes a reconciliation of the disaggregated revenue within the Group's reportable segment.

On 15 August 2017, the Group completed its disposal of the entire interests in a subsidiary group which was principally engaged in manufacturing and sales of proprietary Chinese medicines and health products ("Pharmaceutical Business") to an independent third party (Note 12(b)).

	For the year ended											
	Continuing operations						Discontinued operation					
	Construction Equipment Business (Note (i))		Plantation Business (Note (ii))		Subtotal		Pharmaceutical Business (Note (iii))		Subtotal		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Primary geographical markets												
Hong Kong	**62,722**	59,454	**–**	–	**62,722**	59,454	**–**	–	**–**	–	**62,722**	59,454
Singapore	**37,096**	34,610	**–**	–	**37,096**	34,610	**–**	–	**–**	–	**37,096**	34,610
Vietnam	**1,718**	1,624	**–**	–	**1,718**	1,624	**–**	–	**–**	–	**1,718**	1,624
PRC	**–**	–	**82,039**	89,331	**82,039**	89,331	**–**	38,666	**–**	38,666	**82,039**	127,997
Sri Lanka	**422**	558	**–**	–	**422**	558	**–**	–	**–**	–	**422**	558
Korea	**6,319**	17,543	**–**	–	**6,319**	17,543	**–**	–	**–**	–	**6,319**	17,543
United Arab Emirates	**–**	3,685	**–**	–	**–**	3,685	**–**	–	**–**	–	**–**	3,685
Total	**108,277**	117,474	**82,039**	89,331	**190,316**	206,805	**–**	38,666	**–**	38,666	**190,316**	245,471

Notes:

(i): The revenue under Construction Equipment Business is derived from the reportable segments in Hong Kong and Singapore.

(ii): The revenue under Plantation Business is derived from the reportable segment in PRC.

(iii): The revenue under Pharmaceutical Business is derived from the reportable segment in PRC.

The following table presents non-current assets by location of assets.

Non-current assets

	Hong Kong (domicile) HK$'000	**Singapore** HK$'000	**PRC** HK$'000	**Total** HK$'000
At 31 December 2018	**102,956**	**156,524**	**305,449**	**564,929**
At 31 December 2017	111,566	159,448	315,243	586,257

The Group's revenue from external customers for different products and services is set out in note 8.

Information about a major customer

Revenue from one customer of the Group's Hong Kong (2017: PRC) segment amounted to approximately HK$24,051,000 (2017: approximately HK$21,574,000), which represented approximately 13% (2017: approximately 9%) of the Group's consolidated revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUE

Revenue from the Group's principal activities as set out in note 1 during the years are as follows:

	2018 HK$'000	2017 HK$'000
Continuing operations		
Revenue from Contract with Customers within the scope of HKFRS 15:		
Sales of machinery	10,171	28,354
Sales of spare parts	9,505	5,399
Service income	38,840	27,195
Sales of dried exocarpium citri grandis ("Dried Fruits")	82,039	89,331
	140,555	150,279
Revenue from other sources:		
Rental income from leasing of owned plant and machinery and those held under finance leases	49,258	55,155
Rental income from subleasing of plant and machinery	503	1,371
	49,761	56,526
	190,316	206,805
Discontinued operation		
Revenue from Contract with Customers within the scope of HKFRS 15:		
Sales of proprietary Chinese medicines and health products *(Note 12(b))*	–	38,666
	190,316	245,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUE *(Continued)*

In following table, revenue is disaggregated by timing of revenue recognition. The table also includes revenue from other sources and a reconciliation of the disaggregated revenue within the Group's reportable segment.

	For the year ended		
	Construction Equipment Business (Note (i)) 2018 HK$'000	Plantation Business (Note (ii)) 2018 HK$'000	Total 2018 HK$'000
Timing of revenue recognition under HKFRS 15			
At a point in time	19,676	82,039	101,715
Transferred over time	38,840	–	38,840
	58,516	82,039	140,555
Revenue from other sources	49,761	–	49,761
	108,277	82,039	190,316

Notes:

(i) The revenue under Construction Equipment Business is derived from the reportable segments in Hong Kong and Singapore.

(ii) The revenue under Plantation Business is derived from the reportable segment in PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. OTHER INCOME AND GAINS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Bank interest income	1,112	183
Exchange gain, net	–	2,703
Compensation received	760	417
Gain on early settlement of promissory note payable	–	5,496
Gain on disposal of property, plant and equipment	–	62
Government grants		
– relating to unconditional subsidies *(Note)*	–	92
– for property, plant and equipment *(Note 32)*	1,148	1,285
Reversal of impairment loss on property, plant and equipment *(Note 17)*	1,693	–
Recovery of impairment loss on trade receivables, net	–	31
Others	3,107	2,071
	7,820	12,340
Discontinued operation		
Bank interest income	–	3
Government grants		
– relating to unconditional subsidies *(Note)*	–	120
Others	–	1
(Note 12(b))	–	124
	7,820	12,464

Note: The amounts mainly represented unconditional cash subsidies from government for subsidising enterprises involving in specific industry in the region.

10. OTHER OPERATING EXPENSES

	2018 HK$'000	2017 HK$'000
Continuing operations		
Depreciation of property, plant and equipment:		
– Owned assets	41,222	37,938
– Assets held under finance lease	14,196	16,907
Maintenance cost of mature bearer plants	14,428	12,908
	69,846	67,753
Discontinued operation		
Depreciation of property, plant and equipment:		
– Owned assets	–	1,792
	69,846	69,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Interest charges on financial liabilities stated at amortised cost:		
– Bank borrowing	368	877
– Shareholder's loans	6,012	–
– Bonds payable	27,313	36,122
– Finance lease payables	3,163	3,809
– Other loans payable	910	–
– Promissory note payable	–	9,019
	37,766	49,827
Discontinued operation		
Interest charges on financial liabilities stated at amortised cost:		
– Bank borrowings *(Note 12(b))*	–	625
	37,766	50,452

12. PROFIT/(LOSS) BEFORE INCOME TAX

(a) Profit/(loss) before income tax is arrived at after charging/(crediting):

	2018 HK$'000	2017 HK$'000
Continuing operations		
Auditor's remuneration		
– Current year	1,261	1,255
– (Over)/under provision in respect of prior year	(25)	300
Cost of inventories recognised as an expense	62,125	51,734
Depreciation of property, plant and equipment *(Note 10) (Note (i))*		
– Owned assets	41,222	37,938
– Assets held under finance leases	14,196	16,907
	55,418	54,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROFIT/(LOSS) BEFORE INCOME TAX *(Continued)*

(a) Profit/(loss) before income tax is arrived at after charging/(crediting): *(Continued)*

	2018 HK$'000	2017 HK$'000
Continuing operations *(Continued)*		
Maintenance cost of mature bearer plants *(Note 10) (Note (iii))*	**14,428**	12,908
Impairment loss/(recovery of impairment loss) on trade receivables, net *(Note (iv))*	**1,268**	(31)
Impairment loss on other receivables, net *(Note (iv))*	**9**	–
Loss/(gain) on disposal of property, plant and equipment	**3**	(62)
Reversal of impairment loss on property, plant and equipment *(Note 9)*	**(1,693)**	–
Written off of property, plant and equipment	**88**	24
Operating lease charges in respect of the Woodlands, land and premises	**4,822**	4,858
Employee costs (including Directors' remuneration *(Note 16)* *(Note (vi))*		
– Wages, salaries and bonuses	**42,899**	40,538
– Contribution to defined contribution plans	**3,783**	4,500
	46,682	45,038
Net foreign exchange loss/(gain)	**1,814**	(2,703)
Net rental expense/(income) from subletting of plant and machinery	**138**	(89)
Discontinued operation		
Cost of inventories recognised as an expense	**–**	32,886
Depreciation of property, plant and equipment *(Note (i))*		
– Owned assets	**–**	2,181
Amortisation of payments for leasehold land held for own use under operating lease *(Note (ii))*	**–**	372
Write-down of inventories to net realisable value *(Note (v))*	**–**	201
Employee costs *(Note (vi))*		
– Wages, salaries and bonuses	**–**	3,489
– Contribution to defined contribution plans	**–**	1,081
	–	4,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROFIT/(LOSS) BEFORE INCOME TAX *(Continued)*

(a) Profit/(loss) before income tax is arrived at after charging/(crediting): *(Continued)*

Notes:

(i) Depreciation of property, plant and equipment had been included in cost of sales and services of approximately HK$ Nil (2017: HK$389,000) and other operating expenses of approximately HK$55,418,000 (2017: HK$56,637,000).

(ii) Amortisation of payments for leasehold land held for own use under operating lease had been included in cost of sales and services of approximately HK$372,000 in 2017.

(iii) Maintenance cost of mature bearer plants had been included in other operating expenses.

(iv) Impairment loss on trade and other receivables had been included in administrative expenses whereas recovery of impairment loss on trade receivables had been included in other income and gains.

(v) Write-down of inventories to net realisable value had been included in cost of sales and services.

(vi) Employee costs (including Directors' remuneration) had been included in cost of sales and services of approximately HK$11,818,000 (2017: HK$9,797,000) and administrative expenses of approximately HK$34,864,000 (2017: HK$35,241,000).

(b) Discontinued operation in prior year

On 1 August 2017, the Company entered into a sale and purchase agreement to dispose of Alpha Chance Limited. Alpha Chance Limited and its subsidiaries (collectively as "Alpha Chance Group"), which was principally engaged in Pharmaceutical Business in the PRC. The disposal was effected to streamline the non-core business. The disposal was completed on 15 August 2017, the date on which the control of the Alpha Chance Group passed to the acquirer.

The sale, results and cash flows of Alpha Chance Group were as follows:

	From 1 January to 15 August 2017 HK$'000
Revenue *(Note 8)*	38,666
Cost of sales	(33,276)
Gross profit	5,390
Other income *(Note 9)*	124
Selling and distribution expenses	(297)
Administrative expenses	(4,035)
Other operating expenses *(Note 10)*	(1,792)
Finance costs *(Note 11)*	(625)
Loss before income tax *(Note 12(a))*	(1,235)
Income tax credit *(Note 13)*	323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROFIT/(LOSS) BEFORE INCOME TAX *(Continued)*

(b) Discontinued operation in prior year *(Continued)*

	From 1 January to 15 August 2017 HK$'000
Loss after income tax from discontinued operation	(912)
Gain on disposal of subsidiaries *(Note 40)*	1,231
Profit for the year from discontinued operation	319
Operating cash flows	(863)
Investing cash flows	(79)
Financing cash flows	50
Total cash outflows	(892)

The carrying amounts of the assets and liabilities of Alpha Chance Group at the date of disposal are disclosed in note 40 to the financial statements.

A gain of approximately HK$1,231,000 arose on the disposal of Alpha Chance Group, being the proceeds of disposal less the carrying amount of the subsidiary group's net liabilities and associated transaction costs. No tax charge or credit arose from the disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX CREDIT

	Continuing operations		Discontinued operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Deferred tax						
– Current year *(Note 33)*	**(1,833)**	(1,924)	**–**	(323)	**(1,833)**	(2,247)
Total income tax credit	**(1,833)**	(1,924)	**–**	(323)	**(1,833)**	(2,247)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong, Singapore and Vietnam profits tax, Macau Complementary Tax and PRC Enterprise Income Tax ("EIT") have not been provided as the Group has no assessable profits in respective jurisdictions for the years.

According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full EIT exemption on profits derived from such business. For a subsidiary of the Group engaged in qualifying agricultural business in the PRC, it is entitled to full exemption of EIT for the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX CREDIT *(Continued)*

A reconciliation of income tax credit and accounting profit/(loss) at applicable tax rate is as follows:

	2018 HK$'000	2017 HK$'000
Profit/(loss) before income tax		
– From continuing operations	9,806	(9,926)
– From discontinued operation *(Note 12(b))*	–	(1,235)
	9,806	(11,161)
Tax calculated at the domestic tax rate of 16.5%	1,618	(1,842)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	7,004	5,387
Tax effect of non-deductible expenses	9,026	10,316
Tax effect of non-taxable income	(68)	(1,305)
Tax effect of temporary difference not recognised	845	(228)
Tax effect of tax losses not recognised	1,970	1,448
Tax effect of utilisation of tax losses previously not recognised	(298)	–
Tax effect of tax exemptions granted to a PRC subsidiary	(22,247)	(16,658)
Others	317	635
Income tax credit	(1,833)	(2,247)

14. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. (LOSS)/EARNINGS PER SHARE

(i) Continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on following data:

	2018	2017
Loss		
Loss for the purposes of basic and diluted loss per share (HK$'000)	**(42,672)**	(47,449)
Number of shares		
Weighted average number of ordinary shares	**1,060,000,000**	970,684,932
Basic and diluted loss per share (HK cents)	**(4.03)**	(4.89)

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2017 and 2018.

(ii) Continuing operations

	2018 HK$'000	2017 HK$'000
Loss for the year attributable to owners of the Company	**(42,672)**	(47,449)
Less: Profit for the year from discontinued operation	**–**	319
	(42,672)	(47,768)
Basic and diluted loss per share from continuing operations (HK cents)	**(4.03)**	(4.92)

(iii) Discontinued operation

	2018 HK$'000	2017 HK$'000
Profit for the year attributable to owners of the Company	**–**	319
Basic and diluted earnings per share from discontinued operation (HK cents)	**N/A**	0.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

	Directors' fees HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2018					
Executive directors					
Mr. Zeng Li	–	1,200	–	18	1,218
Mr. Winerthan Chiu	–	800	–	18	818
Mr. Chan Ka Lun	–	600	–	18	618
Independent non-executive directors					
Mr. Wan Tze Fan Terence	180	–	–	–	180
Mr. Tsui Robert Che Kwong	180	–	–	–	180
Ms. Yang Yan Tung Doris	180	–	–	–	180
	540	2,600	–	54	3,194

	Directors' fees HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2017					
Executive directors					
Mr. Zeng Li	–	1,200	100	18	1,318
Mr. Winerthan Chiu	–	800	67	18	885
Mr. Chan Ka Lun	–	600	50	18	668
Independent non-executive directors					
Mr. Wan Tze Fan Terence	180	–	–	–	180
Mr. Tsui Robert Che Kwong	180	–	–	–	180
Ms. Yang Yan Tung Doris	180	–	–	–	180
	540	2,600	217	54	3,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

* Being "salaries, allowances and other benefits" paid or payable in connection with the management of the affairs of the Group.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director (2017: 1 director) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2017: 4) non-director highest paid individuals for the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other emoluments	5,658	4,728
Discretionary bonuses	599	317
Defined contribution plans	178	204
	6,435	5,249

The emoluments of non-director highest paid individuals fell within the following bands:

	2018	2017
HK$1,000,001 to HK$1,500,000	2	3
HK$1,500,001 to HK$2,000,000	2	1

(c) Senior management's emoluments

The emoluments paid or payable to 8 (2017: 8) members of senior management whose emoluments fell within the following bands:

	2018	2017
Nil to HK$1,000,000	5	5
HK$1,000,001 to HK$1,500,000	3	2
HK$1,500,001 to HK$2,000,000	–	1

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

	Land and building carried at fair value HK$'000	Building carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Bearer plants HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2018										
Opening net carrying amount	11,398	35,682	252,299	159	546	3,986	3,915	203,037	–	511,022
Additions	–	–	37,398	70	152	407	–	6,614	6,787	51,428
Transfer from consumable biological assets *(Note 19)*	–	–	–	–	–	–	–	74	–	74
Disposals	–	–	(17)	–	–	(89)	–	–	–	(106)
Depreciation	(380)	(1,581)	(39,172)	(73)	(179)	(1,367)	(191)	(12,475)	–	(55,418)
Written-off	–	–	(80)	–	(8)	–	–	–	–	(88)
Transfer to inventories	–	–	(4,082)	–	–	–	–	–	–	(4,082)
Valuation adjustment	1,780	–	–	–	–	–	–	–	–	1,780
Reversal of impairment loss	–	–	1,693	–	–	–	–	–	–	1,693
Exchange differences	–	(669)	(4,491)	–	(6)	(56)	(71)	(11,552)	(342)	(17,187)
Closing net carrying amount	12,798	33,432	243,548	156	505	2,881	3,653	185,698	6,445	489,116
At 31 December 2018										
Cost or valuation	12,798	46,080	452,365	1,865	4,164	8,696	4,950	212,706	6,445	750,069
Accumulated depreciation and impairment losses	–	(12,648)	(208,817)	(1,709)	(3,659)	(5,815)	(1,297)	(27,008)	–	(260,953)
Net carrying amount	12,798	33,432	243,548	156	505	2,881	3,653	185,698	6,445	489,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and building carried at fair value HK$'000	Building carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Bearer plants HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2017										
Opening net carrying amount	9,898	64,073	238,355	237	586	4,094	3,759	189,157	12,557	522,716
Additions	–	–	43,410	46	488	1,845	23	11,717	6,042	63,571
Transfer from consumable biological assets *(Note 19)*	–	–	–	–	–	–	–	6	–	6
Transfer	–	–	18,935	–	–	–	–	–	(18,935)	–
Disposals	–	–	(25)	–	–	(542)	–	–	–	(567)
Disposal of subsidiaries *(Note 40)*	–	(29,803)	(5,098)	(44)	(122)	(102)	–	–	–	(35,169)
Depreciation	(319)	(3,194)	(39,970)	(85)	(422)	(1,473)	(193)	(11,370)	–	(57,026)
Written-off	–	–	(20)	–	(4)	–	–	–	–	(24)
Transfer to inventories	–	–	(17,973)	–	–	–	–	–	–	(17,973)
Valuation adjustment	1,819	–	–	–	–	–	–	–	–	1,819
Exchange differences	–	4,606	14,685	5	20	164	326	13,527	336	33,669
Closing net carrying amount	11,398	35,682	252,299	159	546	3,986	3,915	203,037	–	511,022
At 31 December 2017										
Cost or valuation	11,398	46,932	467,189	1,798	4,159	10,416	5,041	219,138	–	766,071
Accumulated depreciation and impairment losses	–	(11,250)	(214,890)	(1,639)	(3,613)	(6,430)	(1,126)	(16,101)	–	(255,049)
Net carrying amount	11,398	35,682	252,299	159	546	3,986	3,915	203,037	–	511,022

The Group is exposed to a number of risks related to Fruit Trees plantation. Details have been disclosed in note 19.

The Group's land and building carried at fair value were valued at 31 December 2018 (2017: 31 December 2017) on an open market value basis by a firm of independent qualified professional surveyor, LCH (Asia-Pacific) Surveyors Limited ("LCH"), members of LCH are professional members of the Hong Kong Institute of Surveyors. Fair values were estimated based on recent market transactions, which were then adjusted for the time, floor and size relating to the land and building. The revaluation surplus was credited to other comprehensive income. The fair value of land and building is a level 2 recurring fair value measurement. During the year, there were no transfer occurred between levels on the hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Had the land and building carried at fair value been measured on cost model, the net carrying amount would have been as follows:

	2018 HK$'000	2017 HK$'000
Cost	1,871	1,871
Accumulated depreciation	(921)	(888)
Net carrying amount	950	983

The Group's land and building carried at fair value was situated in Hong Kong and was held under medium term lease.

The Group's building carried at cost less accumulated depreciation and accumulated impairment losses was situated in Singapore and was held under medium term lease.

The Group's bearer plants represent Fruit Trees on the Woodlands located in Huazhou City in the PRC, of which five Forestry Rights Certificates have been issued to the Group for the purpose of plantation of exocarpium citri grandis.

Prior to the business combination in prior years, Guangdong Dahe Biological Technologies Limited* ("Guangdong Dahe") entered into agreements with relevant local village economic cooperatives and obtained Forestry Rights Certificates in respect of five parcels of woodlands with a total area of 2,035.36 mu, which entitle Guangdong Dahe to use these woodlands until 1 October 2034 under operating leases. The ownerships of these woodlands are held respectively by five local village economic cooperatives in Huazhou City.

* The English translation of the company is for reference only. The official name of this company is in Chinese (i.e. 廣東大合生物科技股份有限公司).

Pursuant to an agreement dated 12 December 2013 entered into by Guangdong Dahe and another local village economic cooperative, being the owner of the sixth parcel of woodland with an area of 116 mu, Guangdong Dahe has been contracted the rights to use such woodland and the rights to own and use the forestry trees on such woodland for the period from 1 October 2013 to 1 December 2034.

The Group is in process of obtaining the Forestry Rights Certificate for the sixth parcel of woodland. In the opinion of the Directors, there is no legal impediment for the Group to obtain the aforesaid Forestry Rights Certificate as confirmed by legal adviser in the PRC.

At 31 December 2018, the net carrying amount of the Group's plant and machinery included an amount of approximately HK$124,116,000 (2017: approximately HK$139,865,000) in respect of assets held under finance leases (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2018, the net carrying amount of the Group's building carried at cost with an amount of approximately HK$33,432,000 (2017: approximately HK$35,682,000) were pledged as security for bank borrowing (Note 26).

For the year ended 31 December 2018, the management identified indicator of reversal of impairment of certain plant and machinery in Singapore under the leasing of construction machinery operation (the "Singapore P&M") with reference to the market disposal value and the mild upward trend in recent market rental rate. A reversal of impairment loss of approximately HK$1,693,000 was recognised in other income to reverse the carrying amount of the Group's plant and machinery to its recoverable amount of approximately HK$243,548,000. The recoverable amount of the Singapore P&M was based on higher of its fair value less costs of disposal and its value in use.

For the year ended 31 December 2018, the recoverable amount of certain portion of the Singapore P&M was determined by the value in use calculations based on cash flow projections with discount rate used of 4.0% (previous impairment assessment in prior years: 4.6%) while the recoverable amount of the remaining portion of the Singapore P&M was determined with the assistance of independent professional valuers by the fair value less costs of disposal using market approach (previous impairment assessment in prior years: depreciated replacement cost approach). Under market approach, adjustments were made to the indicated market prices to reflect the age, size, physical condition, extent, character and utility of the appraised assets relative to the market comparative. The above adjusting factors applied are the key assumptions used in the valuation. The fair value less costs of disposal of the plant and machinery is classified as a level 3 measurement. The change in valuation technique in fair value measurement from depreciated replacement cost approach to market approach in current year was due to (i) availability of more recent market comparative in the current year, and (ii) relatively less sales transactions of comparable machinery available in previous impairment assessment in prior years.

18. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combination in 2016, is as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January		
Net carrying amount	**75,036**	75,036
Exchange differences	**670**	–
At 31 December	**75,706**	75,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill is allocated to the cash generating unit ("CGU") in relation to business of cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the PRC identified as follows:

	2018 HK$'000	2017 HK$'000
Carrying amount of goodwill	**75,706**	75,036

The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period by management with the assistance of Valtech Valuation Advisory Limited (2017: Greater China Appraisal Limited), independent professional valuers. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2017: 3%), which does not exceed the long-term growth rate for the business in which the CGU operates, was set by reference to the forecasted inflation rate in the PRC:

	2018 %	2017 %
Discount rate	**23**	23
Growth rate on revenue within five-year period	**4 – 29**	3 – 84

The key assumptions used for the value in use calculations for the CGU include projected unit market price of Dried Fruits and annual productions forecast of Dried Fruits which have been determined by the Group's management based on past performance, its expectations for the industry development and research by respective expert. The growth rate on revenue within five-year period was derived from the projected annual revenue figures. The revenue projections of the CGU during the five-year period consisted of sales of Dried Fruits. Sales of the Dried Fruits during the five-year period were projected based on the projected unit market price of Dried Fruits multiplied by the annual production forecast of the Group's Dried Fruits.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

The Group's management believes that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BIOLOGICAL ASSETS

Biological assets represent Growing Produce, Fresh Fruits and Seedlings. Biological assets are analysed as follows:

	Growing Produce HK$'000	Fresh Fruits HK$'000	Seedlings HK$'000	Total HK$'000
At 1 January 2017	–	–	5,164	5,164
Increase due to feeding (plantation costs and others)	–	–	229	229
Transfer to bearer plants	–	–	(6)	(6)
Gain arising from changes in fair value less costs to sell	2,049	47,590	–	49,639
Transfer due to harvest	(2,049)	2,049	–	–
Transfer to inventories	–	(49,639)	–	(49,639)
Exchange differences	–	–	379	379
At 31 December 2017 and 1 January 2018	**–**	**–**	**5,766**	**5,766**
Increase due to feeding (plantation costs and others)	**–**	**–**	**729**	**729**
Transfer to bearer plant *(Note 17)*	**–**	**–**	**(74)**	**(74)**
Gain arising from changes in fair value less costs to sell	**9,468**	**74,528**	**–**	**83,996**
Transfer due to harvest	**(9,468)**	**9,468**	**–**	**–**
Transfer to inventories	**–**	**(83,996)**	**–**	**(83,996)**
Exchange differences	**–**	**–**	**(369)**	**(369)**
At 31 December 2018	**–**	**–**	**6,052**	**6,052**

The quantities of biological assets as at the reporting date were as follows:

	2018	2017
Seedlings (by unit)	**368,810**	373,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BIOLOGICAL ASSETS *(Continued)*

The values of agricultural produce harvested measured at fair value less costs to sell during the reporting period were as follows:

	2018	2017
Estimated fair value less costs to sell (HK$'000)		
Fresh Fruits	**74,528**	47,590
Estimated quantity (kg)		
Fresh Fruits	**1,313,257**	784,791

Valtech Valuation Advisory Limited (2017: Greater China Appraisal Limited), independent professional valuers, was engaged to determine the fair value of biological assets as at the reporting date. The valuation methodology used to determine the fair value of biological assets is in compliance with both HKAS 41, Agriculture, and "The International Valuation Standards (2017 Edition)" published by the International Valuation Standards Council with aims to determine the fair value of a biological asset in its present location and condition.

There were no changes in valuation techniques during the period.

The fair value measurement of the biological assets for the Group is categorised as level 3 fair value measurement.

During the year, there was no transfer occurred between levels in the hierarchy. The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

	2018 HK$'000	2017 HK$'000
Opening balance (level 3 recurring fair value)	**5,766**	5,164
Increase due to feeding (plantation costs and others)	**729**	229
Transfer to bearer plants *(Note 17)*	**(74)**	(6)
Gain arising from changes in fair value less costs to sell	**83,996**	49,639
Transfer to inventories	**(83,996)**	(49,639)
Exchange differences	**(369)**	379
Closing balance (level 3 recurring fair value)	**6,052**	5,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BIOLOGICAL ASSETS *(Continued)*

The following unobservable inputs were used to measure the Group's biological assets:

For the year ended 31 December 2017 and 2018

Description	Valuation technique	Unobservable inputs		Range For the year ended 31 December 2018	2017	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets (i.e. Fresh Fruits, Growing Produce and Seedlings)	Market approach with cost approach applied for Growing Produce and Seedlings with no market comparison was available	Prices of similar transactions	Fresh Fruits	**HK$61.5 to HK$67.7 per kg**	HK$57.5 to HK$69 per kg	The higher of unobservable inputs, the higher of the fair value less costs to sell determined
			Growing Produce	**HK$1.8 per unit**	HK$2.6 per unit	
			Seedlings	**HK$17.3 per unit**	HK$14.8 per unit	

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

The higher of market price, the higher the fair value measurement of the biological assets.

The valuation of Fresh Fruits was determined by market approach by reference to prices of similar transactions.

The valuation of Growing Produce and Seedlings was determined by cost approach with reference to accumulated reproduction cost of Growing Produce and Seedlings with similar size and weight. Accumulated reproduction cost means the cost to reproduce an asset, which is the plantation costs of Growing Produce and Seedlings.

The major assumptions of the valuations of the Group's biological assets were made as follows,

(i) The biological assets were in good and saleable condition as at the valuation date;

(ii) The growth condition and specification (i.e. size and weight) of biological assets are uniform regardless of the nutritional treatment, soil conditions or sunlight coverage;

(iii) No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired; and

(iv) The historical prices of biological assets could represent a reasonable expectation of the future prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BIOLOGICAL ASSETS *(Continued)*

The Group is exposed to a number of risks related to its plantations:

(i) Environmental factors and natural disasters

The productivity of the biological assets was highly subject to the effect of environment factors such as weather and infectious diseases. Typical risks, including the occurrence of forestry fire, frost, heavy snow, typhoons, pests and infectious diseases, would have a material impact on the productivity, and hence the fair value of the biological assets.

(ii) Fluctuation of prices

The pricing data of the biological assets obtained from the market or the historical selling price provided by the management of the Group was heavily dependent on market competition and consumers' purchasing preference on the biological assets. So the range of price of the biological assets for a particular species could be wide. The timing of supply and demand further heightened the uncertainty of the price estimates for which the product would be sold in a particular year. Competition from online suppliers' platform (e.g. Alibaba and Taobao) may indirectly weaken the Group's bargaining power in recovering the plantation costs plus margin from its customers. As such, the prices may be volatile and subject to various assumptions on inputs.

(iii) Legal rights concerning the use of the Woodlands

The legal administrative framework for sub-urban and rural woodlands in the PRC was not as developed as those for urban lands. Thus, there were risks associated with the ownership, leasing and land use rights concerning the validity and legality of the negotiated arrangements between the land owners (i.e. often the farmers) and the Group, hence heightening the uncertainty on the recoverability of the economic value of the biological assets if potential conflicts arise.

(iv) Single product

In the future plan of the Group, the farmlands are designed for full production of exocarpium citri grandis only. The equipment and the fertilizers are also bought for this cultivation only. The sole product of the Group would become the major weakness of the Group if there is fade of trend for the exocarpium citri grandis or deteriorating quality of exocarpium citri grandis would drive out the customers. The inability of diversifying its revenue stream would make the Group suffer if there is no contingent business plan.

20. INVENTORIES AND CONSUMABLES

	2018 HK$'000	2017 HK$'000
Dried Fruits	**75,319**	21,454
Cranes and spare parts	**16,674**	23,959
Consumables	**19**	15
	92,012	45,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables, gross	27,878	20,169
Less: Loss allowance	(1,515)	(253)
Trade receivables, net	26,363	19,916

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 120 days (2017: 0 to 180 days) or based on the terms agreed in the relevant sales and rental agreements.

The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
0 – 30 days	8,812	6,120
31 – 60 days	9,278	5,890
61 – 90 days	3,457	4,972
Over 90 days	4,816	2,934
	26,363	19,916

The movement in the loss allowance for trade receivables during the year is as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	253	281
Impairment loss recognised	1,853	–
Recovery of impairment	(585)	(31)
Net exchange differences	(6)	3
At 31 December	1,515	253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE RECEIVABLES *(Continued)*

During the year, included in impairment loss recognised for trade receivables of approximately HK$1,157,000 (Note 44(b)) represented loss allowance for credit-impaired trade receivables. The credit-impaired trade receivables are due from customers experiencing dispute that were in default or past due event.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 44(b).

The ageing analysis of the Group's trade receivables that were neither individually nor collectively considered to be impaired is as follows:

	2017 HK$'000
Neither past due nor impaired	6,120
Not more than 3 months past due	11,480
Over 3 months past due	2,316
	19,916

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that have a good track record of repayment with the Group. Based on past experience, management believes that no loss allowance 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Non-current assets		
Deposit *(Note)*	107	199
	107	199
Current assets		
Prepayments	5,320	4,445
Deposits	1,550	1,206
Other receivables	1,834	5,102
	8,704	10,753
	8,811	10,952

The Group did not hold any collateral as security or other credit enhancements over the other receivables.

Note: The deposit represented deposit for acquisition of property, plant and equipment.

The movement in the loss allowance for other receivables during the year is as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	–	–
Impairment loss recognised	9	–
At 31 December	9	–

During the year, the Group had recognised impairment of other receivables of approximately HK$9,000 (2017: Nil) as individually impaired. The impaired other receivables are due from debtors experiencing dispute that were in default or past due event.

Further details on the Group's credit policy and credit risk arising from other receivables and deposits are set out in note 44(b).

23. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at bank and in hand	120,487	140,510
Bank deposit maturing within three months	–	12,046
Cash and cash equivalents for the purpose of statement of cash flows	120,487	152,556

The Group had cash and cash equivalents denominated in RMB of approximately RMB92,852,000 (2017: approximately RMB68,275,000) of which the remittance out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents represent bank deposits and cash at bank and in hand. At 31 December 2017, bank deposits earn interest at a fixed rate at 1.5% per annum. They had maturities ranged from one month to three months. Cash at bank earns interest at floating rates based on daily bank deposits rates as set out in note 44(a). The Group's exposures to foreign currency risk were set out in note 44(c).

24. TRADE PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**27,145**	30,334

The credit period is, in general, 30 to 60 days or based on the terms agreed in purchase agreements.

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	**14,914**	14,904
31 – 60 days	**3,335**	3,951
61 – 90 days	**2,529**	4,486
Over 90 days	**6,367**	6,993
	27,145	30,334

The fair values of trade payables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

25. RECEIPT IN ADVANCE, ACCRUALS, OTHER PAYABLES AND CONTRACT LIABILITIES

	2018 HK$'000	2017 HK$'000
Receipt in advance from customers	**8,525**	10,589
Accruals *(Notes (i), (ii))*	**16,316**	82,573
Other payables *(Note (iii))*	**6,991**	9,671
	31,832	102,833
Contract liabilities	**2,858**	–
	34,690	102,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. RECEIPT IN ADVANCE, ACCRUALS, OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

Notes:

(i) At 31 December 2018, included in accruals of approximately HK$6,012,000 represented accrued shareholder's loans interest payable, of which the shareholder's loans are repayable on demand (Note 27).

(ii) At 31 December 2017, included in accruals of approximately HK$70,529,000 represented accrued bond interests to be payable at extended maturity date (i.e. 30 June 2018) (Note 29).

(iii) At 31 December 2017 and 2018, included in other payable of approximately S$165,000 (equivalent to approximately HK$950,000) (2017: S$165,000 (equivalent to approximately HK$969,000) represented provision for liabilities related to the claim for damages and consequential economic loss by a customer against the Group.

The Group has recognised the following revenue, within the scope of HKFRS 15, related contract liabilities:

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000	At 31 December 2017 HK$'000
Receipt in advance from customers for sales of machinery	**2,858**	993	–
Contract liabilities	**2,858**	993	–

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance as at 1 January 2018.

Upon the adoption of HKFRS 15, consideration received in advance from customers for sales of machinery previously included as "Receipt in advance from customers" under "receipt in advance, accruals and other payables" (presented in above) were re-classified to contract liabilities.

The amount of consideration received in advance as prepayments from customers for sales of machinery are short term as the respective revenue is expected to be recognised within one year when the goods are delivered to customers.

The following table shows the revenue recognised in the current reporting period related to carried-forward contract liabilities:

	2018 HK$'000	2017 HK$'000
For the year ended		
Revenue recognised that was included in the contract liabilities at beginning of year ended		
—Sales of machinery	**993**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. RECEIPT IN ADVANCE, ACCRUALS, OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

The Group's contracts usually have duration of one year or less from date of contract inception to date of satisfaction of performance obligation. The Group has applied the practical expedient and therefore does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

26. BANK BORROWING

	2018 **HK$'000**	2017 HK$'000
Bank borrowing repayable:		
Within one year	**2,100**	2,108
More than one year, but not exceeding two years	**2,153**	2,148
More than two years, but not exceeding five years	**6,788**	6,693
More than five years	**4,813**	7,324
	15,854	18,273
Portion classified as current liabilities	**(2,100)**	(2,108)
Non-current portion	**13,754**	16,165

The bank borrowing denominated in Singapore Dollar ("S$") bore interest at variable interest rates at 31 December 2017 and 2018. The effective interest rates of the Group's bank borrowing were set out in note 44(a).

At 31 December 2018, bank borrowing of the Group was secured by corporate guarantees executed by the Company and certain subsidiaries. No provision for the obligation of the Company and certain subsidiaries under corporate guarantees have been made as the Directors considered that it is not probable the repayment of bank borrowings would be in default.

The carrying values of the Group's borrowing approximate their fair values.

At 31 December 2017 and 2018, the relevant loan agreements of outstanding bank borrowing did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. SHAREHOLDER'S LOANS

On 28 August 2018, the Company entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$173,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for fulfilment of financial obligations of the Group. On 28 August 2018, HK$173,000,000 was drawn down by the Company.

On 30 November 2018, the Company entered into another unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$5,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 3 December 2018, HK$5,000,000 was drawn down by the Company.

Mr. Zeng Li who is the sole director of the immediate and ultimate holding company of the Company and is also the director of the Company.

Shareholder's loans were not secured by any assets of the Group. In the opinion of the Directors, the shareholder's loan were granted to the Company on normal commercial terms or better to the Company.

28. OTHER LOANS PAYABLE

At 1 January 2017, other loan payable of approximately HK$2,848,000 was due to a non-controlling interest of a subsidiary while the remaining balances of approximately HK$1,743,000 was due to a spouse of a director of a subsidiary and approximately HK$560,000 was due to an independent third party to the Group, which were unsecured and interest free. The other loan payables were fully repaid during the year ended 31 December 2017.

On 14 December 2017 (the "Agreement Date"), a subsidiary of the Group entered into an unsecured loan facility letter with an independent third party (the "Lender") in relation to the provision of loan facility of HK$35,000 000 bearing interest at the rate of one-month Hong Kong Interbank Offered Rate plus 4.5% per annum (the "Facility"). As stated in the loan facility letter, the conditions precedent are inserted for the sole benefit of the Lender and may be waived in with or without conditions by the Lender without prejudicing its right to require fulfilment of such other conditions at any time thereafter. Drawdown under the Facility (the "Loan") may be made at any time from the Agreement Date upon request of the Group. The Loan, if drawn, will be used as general working capital and due for repayment on 12 months upon date on each notice to be given by the Group requesting the advance of the Loan, or such other date as agreed in writing between the Group and the Lender. On 26 January 2018 and 30 April 2018, HK$15,000,000 and HK$20,000,000 was drawn down respectively by a subsidiary of the Group. On 31 August 2018, the other loans payable and the corresponding accrued interest payable had been fully repaid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BONDS PAYABLE

At 31 December 2017, the bonds with total principal amount of HK$100,000,000 carried interest at a rate of 18% per annum, which were repayable on 30 June 2018.

The original repayable date of the bonds was on 11 June 2014. Upon amended and supplemented by letters of extension dated 6 June 2014, 28 November 2014 and 30 November 2016 respectively, the Group obtained consents from all bond holders to further extend the maturity date of the bonds to 30 June 2018.

Pursuant to the extension letters dated 30 November 2016, the interest rate was revised from 12% per annum to 18% per annum and all outstanding amounts including the principal amount and the accrued interests up to 30 November 2016 will be payable on 30 June 2018. As part of the terms for extension, the Group made payment to the bondholders that represented bond interests, covering the period from 1 December 2016 to 30 June 2018, with an amount of approximately HK$48,601,000. Besides, the Group had paid approximately of HK$12,276,000 for the renewal and arrangement fee of the bonds payable. For the presentation of the Group's consolidated financial statements, the amount of prepaid bond interests and, renewal and arrangement fee incurred had been adjusted against the carrying amount of the bonds payable and amortised over the remaining term of bonds payable (the "Revision of Terms").

The Directors considered the Revision of Terms to the bonds payable did not constitute a substantial modification of financial liabilities, and therefore the Group accounted for it in accordance to the accounting policies disclosed in note 5(g)(a)(iii) and note 5(g)(b)(iii).

The bonds were secured by the equity interest of certain subsidiaries of the Group.

As set out in note 46, as at 30 June 2018, no repayment of bonds nor payment of interests accrued shall be required, such delay in payment (the "Delay Repayment") should not be considered as an event of default under the terms and conditions of the bonds as stated in the Agreement (defined thereafter in note 46).

The bonds payable was fully settled during the year.

30. PROMISSORY NOTE PAYABLE

The promissory note with principal amount of HK$110,000,000 carries zero interest and with maturity of two years after the issue date of promissory note. The promissory note was issued on 23 December 2016 by the Company in connection with the business combination in prior years. The amortised cost of the promissory note was determined with the effective interest rate of 10.75%. The Company may redeem all or part of the outstanding principal amount of the promissory note at any time between the issue date and the day prior to the maturity by serving not less than 10 business days prior written notice to the noteholder.

On 11 October 2017, the Company entered into the subscription agreement with Mr. He Xiaoyang ("Mr. He"), the holder of the promissory note payable, a non-controlling interest holding a 49% equity interest in Best Earnest Investments Limited ("Best Earnest") and a director of subsidiaries of Best Earnest. Mr. He has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 100,000,000 subscription shares at the subscription price of HK$1.10 per subscription share. The total consideration for the subscription of HK$110,000,000 payable by the subscriber at completion shall be set off against the total outstanding principal amount of the promissory note of HK$110,000,000 owed by the Company to the subscriber on a dollar-for-dollar basis. The transaction was completed on 23 November 2017. The early settlement of promissory note has resulted in a gain of approximately HK$5,496,000, being the difference between the carrying amount of the promissory note of approximately HK$98,496,000 and the fair value of the shares issued of approximately HK$93,000,000 in aggregate based on market price of HK$0.93 per share of the Company's share on 23 November 2017, recognised in the profit or loss for the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCE LEASE PAYABLES

	2018 HK$'000	2017 HK$'000
Total minimum lease payments:		
Due within one year	30,974	36,908
Due in the second to fifth years	43,678	50,628
Due after fifth years	37	46
	74,689	87,582
Future finance charges on finance leases	(4,738)	(5,557)
Present value of finance lease liabilities	69,951	82,025
Present value of minimum lease payments:		
Due within one year	28,610	34,143
Due in the second to fifth years	41,304	47,838
Due after fifth years	37	44
	69,951	82,025
Less: Portion classified as current liabilities	(28,610)	(34,143)
Non-current portion	41,341	47,882

The Group has entered into finance leases for items of plant and machinery. The average lease term is 2 to 7 years (2017: 3 to 7 years). At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

Certain finance lease payables bore interest at fixed interest rates with effective interest rates at 31 December 2018 ranged from 1.5% to 8.6% (2017: from 1.5% to 8.6%) per annum. The other finance lease payables bore interest at variable interest rates. The effective interest rates on the Group's finance lease payables as at reporting date were set out in note 44(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCE LEASE PAYABLES *(Continued)*

At 31 December 2017 and 2018, certain finance lease payables of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries. No provision for the obligation of the Company and certain subsidiaries under corporate guarantees have been made as the Directors considered that it is not probable the repayment of finance lease payables would be in default.

Finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by the Group.

32. DEFERRED GOVERNMENT GRANTS

	2018 **HK$'000**	2017 HK$'000
At beginning of the year	**9,838**	10,434
Additions	**690**	–
Amortisation *(Note 9)*	**(1,148)**	(1,285)
Exchange differences	**(551)**	689
At end of the year	**8,829**	9,838
Less: Portion classified as current liabilities	**(1,155)**	(1,157)
Non-current portion	**7,674**	8,681

The Group's deferred government grants mainly related to acquisition of property, plant and equipment.

The Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the year-end date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DEFERRED TAX

The movement on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK$'000	Revaluation of properties arising from acquisition of a subsidiary HK$'000	Total HK$'000
At 1 January 2017	(4,590)	(9,110)	(13,700)
Recognised in the profit or loss *(Note 13)*	1,924	323	2,247
Disposal of subsidiaries *(Note 40)*	–	8,691	8,691
Exchange differences	(947)	96	(851)
At 31 December 2017 and 1 January 2018	**(3,613)**	**–**	**(3,613)**
Recognised in the profit or loss *(Note 13)*	**1,833**	**–**	**1,833**
Exchange differences	**60**	**–**	**60**
At 31 December 2018	**(1,720)**	**–**	**(1,720)**

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounted to approximately HK$89,759,000 (2017: approximately HK$79,622,000), can be carried forward indefinitely under the current tax legislation.

Pursuant to the new PRC tax law and its rules and regulations, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

At 31 December 2017 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. It is because in the opinion of the Directors, it is not probable that these subsidiaries will distribute their earnings accrued from 1 January 2008 to 31 December 2017 in the foreseeable future. Accordingly, no deferred tax liabilities have been recognised as at 31 December 2017 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. SHARE CAPITAL

	2018		2017	
	Number of shares	**Amount**	Number of shares	Amount
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January, 31 December *(Note (i))*	**200,000,000**	**2,000,000**	200,000,000	2,000,000
Issued and fully paid:				
At 1 January	**1,060,000**	**10,600**	960,000	9,600
Shares issued in settlement of promissory note payable *(Note (ii))*	**–**	**–**	100,000	1,000
At 31 December	**1,060,000**	**10,600**	1,060,000	10,600

Notes:

(i) There is no change in authorised share capital during the year.

(ii) On 11 October 2017, the Company entered into the subscription agreement with Mr. He, set out in note 30, pursuant to which Mr. He subscribed for and the Company allotted and issued new shares. On 23 November 2017, 100,000,000 new shares, with an aggregate fair value of HK$93,000,000 based on market price of HK$0.93 per share, were allotted and issued. The premium on the issue of shares, amounting to approximately HK$91,403,000, net of share issuance expenses of approximately HK$597,000, was credited to the Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RESERVES

Share premium

The share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Statutory reserves

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant subsidiaries. During the year, appropriations were made by such subsidiaries to the statutory reserves accordingly.

The statutory reserves can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

In accordance with relevant regulations issued by the Ministry of Finance of the PRC, a subsidiary of the Group is required to set aside a reserve through appropriations of profit after tax according to a certain ratio of the ending balance of its gross risk-bearing assets to cover potential losses against such assets.

Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

Property revaluation reserve

Gain/(loss) arising on the revaluation of the Group's land and building carried at fair value, as set out in note 17. The balance on this reserve is wholly undistributable.

Translation reserve

Gain/(loss) on retranslating the net assets of foreign operations into Hong Kong dollars.

Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RESERVES *(Continued)*

Group

Details of the movements on the Group's reserve are set out in the consolidated statement of changes in equity.

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2017	255,421	41,572	(56,336)	240,657
Loss and total comprehensive income for the year	–	–	(16,379)	(16,379)
Shares issued in settlement of promissory note payable	92,000	–	–	92,000
Shares issuance expenses	(597)	–	–	(597)
Balance at 31 December 2017 and 1 January 2018	**346,824**	**41,572**	**(72,715)**	**315,681**
Loss and total comprehensive income for the year	**–**	**–**	**(18,428)**	**(18,428)**
Balance at 31 December 2018	**346,824**	**41,572**	**(91,143)**	**297,253**

36. SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company has adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015. At 31 December 2018, no option has been granted by the Company under the Share Option Scheme since its adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**80**	107
Investments in subsidiaries		**1**	1
		81	108
Current assets			
Amounts due from subsidiaries		**487,404**	273,363
Deposits and prepayments		**1,077**	1,077
Cash and cash equivalents		**4,064**	52,526
		492,545	326,966
Current liabilities			
Accruals		**6,773**	792
Amount due to a subsidiary		**–**	1
Shareholder's loans		**178,000**	–
		184,773	793
Net current assets		**307,772**	326,173
Total assets less current liabilities		**307,853**	326,281
EQUITY			
Share capital	*34*	**10,600**	10,600
Reserves	*35*	**297,253**	315,681
Total equity		**307,853**	326,281

Zeng Li
Executive Director

Winerthan Chiu
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. INVESTMENTS IN SUBSIDIARIES

At 31 December 2017 and 2018, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2018	2017	Principal activities
Interests held directly							
Beyond Vision Ventures Limited		Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Chief Key Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Eagle Legend Investment (Hong Kong) Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
Lucky Boom Investments Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Interests held indirectly							
Chief Strategy Limited		Limited liability company	BVI/Hong Kong	300 ordinary shares of US$1 each	100%	100%	Investment holding
Hover Ascend Limited ("Hover Ascend")	*(i)*	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	–	Inactive
Gold Lake Holdings Limited		Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Manta Engineering and Equipment Company, Limited		Limited liability company	Hong Kong	HK$24,014,366	100%	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited		Limited liability company	Hong Kong	HK$36,094,913	100%	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment Services Limited		Limited liability company	Hong Kong	HK$10,875,287	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Engineering and Equipment (Macau) Company Limited		Limited liability company	Macau	1 quota with nominal value of MOP25,000	100%	100%	Leasing of construction equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2018	Effective interest held by the Company 2017	Principal activities
Manta Equipment (S) Pte Ltd		Limited liability company	Singapore	10,000,000 ordinary shares of S$ 1 each	**100%**	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Services (S) Pte Limited		Limited liability company	Singapore	10,000 ordinary shares of S$1 each	**100%**	100%	Inactive
Manta-Vietnam Construction Equipment Leasing Limited		Limited liability company	Vietnam	Owner invest equity Vietnamese Dong ("VND") 10,649,879,390	**67%**	67%	Inactive
Manta Services Management Limited ("Manta-Services")	*(ii)*	Limited liability company	Hong Kong	HK$5,000	**100%**	100%	Inactive
Focus Spring Limited	*(iii)*	Limited liability company	BVI/Hong Kong	1 ordinary share of US$1	**100%**	100%	Inactive
Best Earnest Investments Limited		Limited liability company	BVI/Hong Kong	200 ordinary shares of US$1 each	**51%**	51%	Investment holding
Vast Bloom Investment Limited		Limited liability company	Hong Kong	HK$1	**51%**	51%	Investment holding
廣東大合生物科技股份有限公司, Guangdong Dahe Biological Technologies Limited*	*(iv)*	Limited liability foreign-owned enterprise	PRC	RMB50,000,000	**40.8%**	40.8%	Cultivation, research, processing and sales of exocarpium citri grandis and its seedlings
深圳前海化橘紅生物科技有限公司 Shenzhen Qianhai Exocarpium Citri Grandis Biological Technologies Limited*	*(v)*	Wholly foreign-owned enterprise	PRC	HK$20,000,000	**–**	51%	Inactive

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

Notes:

(i) Incorporated during the year ended 31 December 2018.

(ii) Ceased business with effect from 31 December 2018.

(iii) Struck off from the Register of Companies of the BVI.

(iv) 80% equity interest of Guangdong Dahe held directly by Vast Bloom and hence the effective equity interest of Guangdong Dahe by the Group amounted to 40.8%, Guangdong Dahe was accounted for as a subsidiary of the Group as the Directors are of the opinion that the Group has power over the investee through control of the board of the subsidiary, exposure to variable returns from investee and the ability to use its power to affect those variable returns.

(v) Deregistered during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. NON-CONTROLLING INTERESTS

Best Earnest, a 51% indirectly-owned subsidiary of the Company has material non-controlling interest. The non-controlling interests of other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the non-controlling interest of Best Earnest, before intra-group eliminations, is presented below:

For the year ended 31 December	2018 HK$'000	2017 HK$'000
Revenue	82,039	89,331
Profit for the year	91,686	67,210
Total comprehensive income	65,128	75,187
Profit for the year allocated to non-controlling interest	35,940	26,345
Total comprehensive income allocated to non-controlling interest	25,529	31,729
Dividends paid to non-controlling interest	–	–
Cash flows from operating activities	43,623	76,578
Cash flows used in investing activities	(19,914)	(10,183)
Cash flows from/(used in) financing activities	11	(5,289)
Net cash inflows	23,720	61,106

At 31 December	2018 HK$'000	2017 HK$'000
Non-current assets	229,743	240,207
Current assets	188,521	112,760
Current liabilities	(13,901)	(12,725)
Non-current liabilities	(7,674)	(8,681)
Net assets	396,689	331,561
Accumulated non-controlling interest	176,819	151,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR

As referred to in note 12(b), on 15 August 2017, the Group disposed of its subsidiaries, Alpha Chance Group which was principally engaged in Pharmaceutical Business. The net liabilities of Alpha Chance Group at the date of disposal were as follows:

	15 August 2017	
	HK$'000	HK$'000
Property, plant and equipment	35,169	
Payments for leasehold land held for own use under operating leases	20,271	
Inventories	16,999	
Trade and bill receivables	38,124	
Prepayments, deposits and other receivables	5,112	
Tax recoverable	361	
Cash and cash equivalents	854	
Trade payables	(43,618)	
Receipt in advance, accruals and other payables	(4,838)	
Other payable-non-current	(23,600)	
Bank borrowing	(1,627)	
Deferred tax liabilities	(8,691)	
Shareholder's loan	(38,571)	
Net liabilities disposed of		(4,055)
Release of exchange reserve upon disposal of subsidiaries		3,530
Sale of shareholder's loan		38,571
Gain on disposal of subsidiaries, included in profit for the year from discontinued operation *(Note 12(b))*		1,231
Transaction costs		723
Total consideration		40,000
Satisfied by:		
Cash		40,000
Less: Transaction costs		(723)
Net cash consideration		39,277
Net cash inflow arising on disposal:		
Cash consideration		39,277
Cash and bank balances disposed of		(854)
		38,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Significant non-cash transactions are as follows:

Investing activity

Additions to property, plant and equipment of approximately HK$17,245,000 (2017: approximately HK$22,319,000) were financed by finance leases during the year.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowing *(Note 26)* HK$'000	Shareholder's loans *(Note 27)* HK$'000	Other loans payable *(Note 28)* HK$'000	Bonds payable *(Note 29)* HK$'000	Finance lease payables *(Note 31)* HK$'000	Total HK$'000
At 1 January 2018	18,273	–	–	77,803	82,025	178,101
Changes from cash flows:						
Repayment of bank borrowings	(2,076)	–	–	–	–	(2,076)
Proceeds from new finance leases	–	–	–	–	8,085	8,085
Repayment of obligations under finance leases	–	–	–	–	(36,691)	(36,691)
Proceeds from other loans payable	–	–	35,000	–	–	35,000
Repayment of other loans payable	–	–	(35,000)	–	–	(35,000)
Repayment of bonds payable	–	–	–	(100,000)	–	(100,000)
Proceeds from shareholder's loans	–	178,000	–	–	–	178,000
Total changes from financing cash flows:	(2,076)	178,000	–	(100,000)	(28,606)	47,318
Exchange adjustments:	(343)	–	–	–	(713)	(1,056)
Other changes:						
Interest expenses (non-cash)	–	–	–	22,197	–	22,197
Additions to property, plant and equipment	–	–	–	–	17,245	17,245
Total other changes	–	–	–	22,197	17,245	39,442
At 31 December 2018	15,854	178,000	–	–	69,951	263,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank borrowings *(Note 26)* HK$'000	Other loans payables *(Note 28)* HK$'000	Bonds payable *(Note 29)* HK$'000	Promissory note payable *(Note 30)* HK$'000	Finance lease payables *(Note 31)* HK$'000	Total HK$'000
At 1 January 2017	40,860	5,151	41,681	89,477	95,550	272,719
Changes from cash flows:						
Proceeds from new bank borrowings	23,000	–	–	–	–	23,000
Repayment of bank borrowings	(24,831)	–	–	–	–	(24,831)
Proceeds from new finance leases	–	–	–	–	3,822	3,822
Repayment of obligations under finance leases	–	–	–	–	(45,256)	(45,256)
Repayment of other loans payables	–	(5,289)	–	–	–	(5,289)
Total changes from financing cash flows:	(1,831)	(5,289)	–	–	(41,434)	(48,554)
Exchange adjustments:	2,844	138	–	–	5,590	8,572
Other changes:						
Gain on early settlement on promissory note payable	–	–	–	(5,496)	–	(5,496)
Interest expenses (non-cash)	–	–	36,122	9,019	–	45,141
Shares issued for settlement of promissory note payable	–	–	–	(93,000)	–	(93,000)
Addition to property, plant and equipment	–	–	–	–	22,319	22,319
Disposal of subsidiaries	(23,600)	–	–	–	–	(23,600)
Total other changes	(23,600)	–	36,122	(89,477)	22,319	(54,636)
At 31 December 2017	18,273	–	77,803	–	82,025	178,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. COMMITMENTS

(a) Operating lease commitment – as lessor

The Group had future aggregate minimum lease receipts in respect of machinery owned by the Group under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Within one year	36,137	25,830
In the second to fifth years, inclusive	7,064	6,831
	43,201	32,661

The Group had future aggregate minimum lease receipts in respect of machinery sublet by the Group under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Within one year	2,418	23
In the second to fifth years, inclusive	47	–
	2,465	23

The Group leases its machinery under operating leases arrangements which run for an initial period of one to two years. All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

(b) Operating lease commitment – as lessee

The total future minimum lease payments of the Group in respect of machinery, the Woodlands in which plantations are suited, the land located in Singapore and premises located in Hong Kong and PRC under non-cancellable operating leases are as follows:

	2018 HK$'000	2017 HK$'000
Group		
Within one year	6,343	3,986
In the second to fifth years, inclusive	3,589	1,114
After five years	1,012	552
	10,944	5,652

The leases payment in respect of machinery run for an initial period of one to two years and the leases for the Woodlands run for a period up to the expiry date in 2034. The lease payment in respect of the land located in Singapore run for an initial period of fifty years. The lease for the premises in Hong Kong and PRC run for an initial period of two years and eight years, respectively. All rentals are fixed over the lease terms and do not include contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. COMMITMENTS *(Continued)*

(b) Operating lease commitment – as lessee *(Continued)*

The total future minimum lease payments of the Company in respect of premise located in Hong Kong under non-cancellable operating leases are as follows:

	2018 HK$'000	2017 HK$'000
Company		
Within one year	**914**	1,097
In the second to fifth years, inclusive	**–**	914
	914	2,011

(c) Capital commitment

	2018 HK$'000	2017 HK$'000
Group		
Acquisition of property, plant and equipment – contracted but not provided for	**2,608**	823

The Company does not have any significant capital commitments.

43. RELATED PARTY TRANSACTIONS

(a) Significant related party transaction during the year

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the year:

Related party relationship	Type of transaction	2018 HK$'000	2017 HK$'000
The immediate and ultimate holding company of the Company	Interest expense on shareholder's loans	**6,012**	–

The terms and conditions of the shareholder's loans are set out in note 27.

The transactions were conducted in the normal course of business at prices and terms mutually agreed by the Company and the immediate and ultimate holding company of the Company.

(b) Key management personnel compensation

The remuneration of the Directors and other members of key management during the year was as follows:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**5,961**	5,986
Post-employment benefits	**90**	90
	6,051	6,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and fair value risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has bank deposits, cash at bank balances, bank borrowing, shareholder's loans and finance lease payables which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

(i) Exposure

The following table details the interest rate profile of the Group's financial instruments at the reporting date:

	Weighted average effective interest rate per annum		Carrying amount	
	2018	2017	**2018**	2017
	%	%	**HK$'000**	HK$'000
Variable rate instruments				
Financial assets				
Cash and cash equivalents	**0 – 0.4**	0 – 0.5	**120,487**	140,510
			120,487	140,510
Financial liabilities				
Bank borrowing	**1.9 – 2.5**	1.9 – 6.5	**15,854**	18,273
Finance lease payables	**3.9 – 5.8**	3.4 – 4.7	**15,517**	14,409
			31,371	32,682
Net exposure			**89,116**	107,828

The policies to manage interest rate risk have been followed by the Group consistently throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(a) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of profit/(loss) after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2017: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2018 HK$'000	2017 HK$'000
Effect on profit/(loss) after income tax for the year and accumulated losses	**656**	841

A -1% (2017: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business. As at 31 December 2018, the five largest trade debtors, in aggregate, contributed approximately HK$21,585,000 or 81.9% (2017: HK$10,199,000 or 51.2%) to the Group's total trade receivables. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

The Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The expected credit losses also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of debtors to settle receivables. The Group recognises lifetime expected credit losses for trade receivables based on individual significant customers or the ageing of customers collectively that are not individually significant.

The followings are credit risk management practices and quantitative and qualitative information about amounts arising expected credit losses for each class of financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables

The Group provides for lifetime ECLs for trade receivables based on historical trend. Loss rates are based on actual loss experience and past trends. Where there is a significant deterioration in credit risk or when the receivables are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs also incorporate forward looking information such as forecast of economic conditions.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate	Gross carrying amount excluding specific debtors HK$'000	Loss allowance excluding specific debtors HK$'000	Carrying amount of specific debtors HK$'000	Loss allowance of specific debtors HK$'000	Total loss allowance HK$'000
2018						
Current (not past due)	0.60%	10,416	62	–	–	62
1-30 days past due	0.60%	7,193	43	–	–	43
31-60 days past due	2.10%	3,224	68	–	–	68
61-90 days past due	2.10%	1,781	37	–	–	37
91-120 days past due	3.60%	1,171	42	–	–	42
More than 120 days past due	3.60%	2,936	106	1,157	1,157	1,263
		26,721	358	1,157	1,157	1,515

Other receivables and deposits

Apart from credit-impaired other receivables with loss allowance of approximately HK$9,000 as disclosed in note 22, the Group provides for 12-month ECLs for all other receivables and deposits at initial recognition. Where there is a significant deterioration in credit risk or when the other receivables and deposits are assessed to be credit-impaired, the Group provides for lifetime ECLs. The ECLs incorporate forward looking information such as forecast of economic conditions. The Group considers the consistently low historical default rates of counterparties. It is concluded that credit risk inherent in the Group's remaining other receivables and deposits is insignificant. The Group has assessed that the remaining other receivables and deposits do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these remaining other receivables and deposits were immaterial under the 12-month ECLs. No loss allowance for remaining other receivables and deposits was recognised for the year ended 31 December 2018.

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has major operations in Hong Kong, Singapore, Macau and the PRC. Income and expenses of the Group are primarily denominated in HK$, S$, US$ and RMB. Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$, US$ and RMB while purchases are mainly denominated in HK$, S$, US$ and RMB. US$ is not the functional currency of the group entities to which these transactions relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(c) Foreign currency risk *(Continued)*

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

(i) Exposure

Foreign currency denominated financial assets and liabilities, translated into a currency other than the functional currency of the Company and its subsidiaries at the closing rates, are as follows:

	RMB HK$'000	**US$** HK$'000	**S$** HK$'000
2018			
Trade receivables	**–**	**276**	**–**
Cash and cash equivalents	**8**	**1,309**	**–**
Trade payables	**–**	**2,704**	**–**
2017			
Cash and cash equivalents	15	4,574	–
Trade payables	–	6,550	267
Other payables	–	170	–
Finance lease payables	–	–	1,530

(ii) Sensitivity analysis

The Directors considered a reasonably possible change of 1% in US$ exchange rates on sensitively analysis would have insignificant impact on the Group's profit/(loss) before tax and there would be no impact on the Group's equity.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year HK$'000
2018					
Financial liabilities					
– Trade payables	**27,145**	**27,145**	**–**	**27,145**	**–**
– Accruals and other payables	**23,307**	**23,307**	**23,307**	**–**	**–**
– Bank borrowing	**15,854**	**17,493**	**–**	**2,470**	**15,023**
– Shareholder's loans	**178,000**	**178,000**	**178,000**	**–**	**–**
– Finance lease payables	**69,951**	**74,689**	**–**	**30,974**	**43,715**
	314,257	**320,634**	**201,307**	**60,589**	**58,738**
2017					
Financial liabilities					
– Trade payables	30,334	30,334	–	30,334	–
– Accruals and other payables	92,244	92,244	21,715	70,529	–
– Bank borrowing	18,273	19,714	–	2,434	17,280
– Bonds payable	77,803	100,000	–	100,000	–
– Finance lease payables	82,025	87,582	–	36,908	50,674
	300,679	329,874	21,715	240,205	67,954

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its requirements in the short and longer terms. As detailed in note 2(b), at the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK$18,082,000. The Directors consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2018, on the basis that (a) an undertaking from the immediate and ultimate holding company not to demand repayment of the unsecured shareholder's loans due by the Group of approximately HK$178,000,000 as at 31 December 2018 until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business; and (b) an unsecured shareholder's loan of HK$2,500,000 obtained from the immediate and ultimate holding company of the Company as a liquidity cushion for operating cash flows, of which the loan has been drawn down subsequent to the reporting date on 27 February 2019 (Note 47). The Directors are of the opinion that, in the absence of unforeseen adverse circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(e) Fair value

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, accruals, bank borrowing, bonds payable, shareholder's loans and finance lease payables.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2018 **HK$'000**	2017 HK$'000
Financial assets		
At amortised cost		
– Trade receivables	**26,363**	19,916
– Other receivables and deposits	**3,384**	6,507
– Cash and cash equivalents	**120,487**	152,556
	150,234	178,979
Financial liabilities		
At amortised cost		
– Trade payables	**27,145**	30,334
– Accruals and other payables	**23,307**	92,244
– Bank borrowing	**15,854**	18,273
– Shareholder's loans	**178,000**	–
– Bonds payable	**–**	77,803
– Finance lease payables	**69,951**	82,025
	314,257	300,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. OUTSTANDING CLAIM IN PRIOR YEAR

On 5 June 2017, a supplier of the Group (the "Supplier") initiated a legal proceeding in Singapore in respect of an alleged breach of contract for supply of tower crane accessories on the part of the Group. The Supplier claimed the Group for outstanding rental payable balances of approximately S$55,000 (equivalent to approximately HK$323,000) and losses and damages of approximately S$73,000 (equivalent to approximately HK$429,000) resulting from the alleged breach of contract (the "Dispute"). Meanwhile, the Group had filed a counterclaim for the loss of income of approximately S$42,000 (equivalent to approximately HK$247,000) as a result of the termination of contract.

On 16 June 2017, the Group offered to settle the Dispute by payment of a sum of S$56,000 (equivalent to approximately HK$329,000), interest on such sum at the rate of 5.33% per annum from 5 June 2017 until actual settlement and costs and reasonable disbursements to be agreed or taxed.

As at 31 December 2017, an aggregate amount of S$80,000 (equivalent to approximately HK$470,000), being the agreed full and final settlement of the claim, was included in accruals.

On 27 February 2018, the Group and the Supplier had come to the conclusion to the terms of the settlement in the mediation in the Court Dispute Resolution Centre, in which, the Group paid S$80,000 (equivalent to approximately HK$470,000) to the Supplier, being the agreed full and final settlement of the claim and presented a letter of recommendation to the Supplier on 5 March 2018. Furthermore, the Supplier had filed the Supplier's notice of discontinuance for their claim on 14 March 2018; and the Group had filed the Group's notice of discontinuance of the counterclaim on 15 March 2018.

46. SIGNIFICANT EVENT DURING THE YEAR

On 29 June 2018, a subsidiary of the Group entered into a conditional sale and purchase of the sale shares agreement (the "Agreement") with two independent third parties (the "Purchasers"), who are also the bond holders, in relation to the disposal of Hover Ascend, a subsidiary of the Group.

Upon completion of reorganisation and immediately before completion, as set out in the Agreement, Hover Ascend will become the holding company of the subsidiaries, principally engaged in Construction Equipment Business. According to the Agreement, the consideration which shall be paid by the Purchasers shall be set off against the outstanding principal amount of the bonds payable and the outstanding accrued interest thereon up to 30 June 2018 upon completion of the Agreement.

The Purchasers agreed, confirmed and undertook that notwithstanding the bonds set out in note 29 having fallen due on 30 June 2018, in consideration of the Agreement, the Purchasers acknowledged that no repayment of the bonds nor payment of interests accrued thereon shall be required, and such delay in payment should not be considered as an event of default under the terms and conditions of the bonds, unless the Agreement is terminated before completion of the Agreement. The Purchasers further agreed, confirmed and undertook that all interests accrued on the bonds from 1 July 2018 onwards shall be waived upon completion of the Agreement.

Pursuant to the Agreement, if the conditions are not fulfilled or waived on or before 31 August 2018 or such other time and date as the Group and the Purchasers may agree, the Agreement shall cease and determine. As at 31 August 2018, the condition precedents for completion of the Agreement had not been fulfilled or waived (if applicable), the Agreement had lapsed on 31 August 2018 and the disposal was not proceeded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. SIGNIFICANT EVENT DURING THE YEAR *(Continued)*

On the even date, the outstanding principal amount of the bonds payable together with interest accrued up to the date of repayment, which amounted to approximately HK$175,600,000 in aggregate, had been fully repaid by the Group.

Further details of the aforesaid significant event are set out in the Company's announcement dated 31 August 2018.

47. EVENTS AFTER REPORTING DATE

Subsequent to the reporting date on 26 February 2019, the Company further entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK$2,500,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 27 February 2019, HK$2,500,000 was drawn down by the Company.

Pursuant to the written resolutions of the sole member and the sole director of Manta-Services both dated 20 March 2019, it was resolved that (i) the business of Manta-Services was ceased with effect from 31 December 2018; and (ii) an application be made to the Registrar of Companies for deregistration of Manta-Services. As at the date of the report, the deregistration of Manta-Services is still in process.

48. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of carrying amounts of bank borrowing, shareholder's loans, bonds payable and finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2018 **HK$'000**	2017 HK$'000
Bank borrowing	**15,854**	18,273
Shareholder's loans	**178,000**	–
Bonds payable	**–**	77,803
Finance lease payables	**69,951**	82,025
Total debts	**263,805**	178,101
Total equity	**482,358**	495,957
Total debt to equity ratio	**0.5**	0.4

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2014 HK$000 (re-presented)	2015 HK$000 (re-presented)	2016 HK$000 (re-presented)	2017 HK$000	**2018** **HK$000**
Continuing operations					
Revenue	249,842	173,846	156,160	206,805	**190,316**
Cost of sales	(122,165)	(90,488)	(83,738)	(98,782)	**(88,868)**
Gross profit	127,677	83,358	72,422	108,023	**101,448**
(Loss)/profit before taxation	(11,816)	(43,065)	(66,861)	(9,926)	**9,806**
Income tax (expense)/credit	(431)	1,368	2,599	1,924	**1,833**
(Loss)/profit for the year from continuing operations	(12,247)	(41,697)	(64,262)	(8,002)	**11,639**
Discontinued operation					
Profit/(loss) for the year from discontinued operation	1,064	(372)	(7,888)	319	**–**
(Loss)/profit for the year	(11,183)	(42,069)	(72,150)	(7,683)	**11,639**
Loss for the year and attributable to owners of the Company					
— Continuing operations	(12,143)	(41,663)	(64,255)	(47,768)	**(42,672)**
— Discontinued operation	1,064	(372)	(7,888)	319	**–**
Loss per share from continuing and discontinued operations					
— Basic and diluted (HK cents)	(1.38)	(5.25)	(8.25)	(4.89)	**(4.03)**
Loss per share from continuing operations					
— Basic and diluted (HK cents)	(1.52)	(5.21)	(7.35)	(4.92)	**(4.03)**

Note: Certain comparative figures have been re-presented to reflect the results of the discontinued operation separately.

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2014 HK$000	2015 HK$000	2016 HK$000	2017 HK$000	**2018** **HK$000**
Non-current assets	420,211	371,591	619,371	586,257	**564,929**
Current assets	261,668	221,509	343,220	234,419	**253,618**
Current liabilities	(245,691)	(349,485)	(281,901)	(248,378)	**(271,700)**
Net current assets/(liabilities)	15,977	(127,976)	61,319	(13,959)	**(18,082)**
Total assets less current liabilities	436,188	243,615	680,690	572,298	**546,847**
Non-current liabilities	(245,385)	(101,375)	(302,843)	(76,341)	**(64,489)**
Net assets/total equity	190,803	142,240	377,847	495,957	**482,358**
Total debt to equity ratio	1.7	1.8	0.7	0.4	**0.5**