# EAGLE LEGEND ASIA LIMITED
# 鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 936)

# 2018
## Interim Report

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS
Mr. Zeng Li *(Chairman)*
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

## 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
Room 3607, 36/F.
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Wan Chai, Hong Kong

## AUDITOR
BDO Limited

## WEBSITE
http://www.elasialtd.com

## STOCK CODE
936

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

| | | Unaudited | |
|---|---|---|---|
| | | Six months ended 30 June | |
| | | **2018** | 2017 |
| | *Notes* | **HK$'000** | HK$'000 |
| | | | (re-presented) |
| **Continuing operations** | | | |
| **Revenue** | *6* | **117,911** | 127,396 |
| Cost of sales and services | | **(49,455)** | (61,501) |
| **Gross profit** | | **68,456** | 65,895 |
| Gain arising from changes in fair value less costs to sell of biological assets | *14* | **83,996** | 44,806 |
| Other income and gains | *7* | **1,993** | 2,952 |
| Selling and distribution expenses | | **(1,261)** | (1,304) |
| Administrative expenses | | **(31,700)** | (29,973) |
| Other operating expenses | | **(37,453)** | (33,087) |
| Finance costs | *8* | **(24,541)** | (24,050) |
| **Profit before income tax** | *9(a)* | **59,490** | 25,239 |
| Income tax credit | *10* | **2,061** | 227 |
| **Profit for the period from continuing operations** | | **61,551** | 25,466 |
| **Discontinued operation** | | | |
| Loss for the period from discontinued operation | *9(b)* | **–** | (1,451) |
| **Profit for the period** | | **61,551** | 24,015 |
| **Other comprehensive income** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | **(11,072)** | 3,678 |
| **Total comprehensive income for the period** | | **50,479** | 27,693 |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

| | Notes | Unaudited<br>Six months ended 30 June<br>2018<br>HK$'000 | <br><br>2017<br>HK$'000<br>(re-presented) |
|---|---|---|---|
| **Loss for the period attributable to:** | | | |
| Owners of the Company | | | |
| — Continuing operations | | **(2,726)** | (8,649) |
| — Discontinued operation | | **–** | (1,451) |
| Loss for the period attributable to owners of the Company | | **(2,726)** | (10,100) |
| Non-controlling interests | | | |
| — Continuing operations | | **64,277** | 34,115 |
| — Discontinued operation | | **–** | – |
| Profit for the period attributable to non-controlling interests | | **64,277** | 34,115 |
| | | **61,551** | 24,015 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **(7,913)** | (6,422) |
| Non-controlling interests | | **58,392** | 34,115 |
| | | **50,479** | 27,693 |
| **Loss per share from continuing and discontinued operations** | | | |
| — Basic and diluted (HK cents) | *12* | **(0.26)** | (1.05) |
| **Loss per share from continuing operations** | | | |
| — Basic and diluted (HK cents) | *12* | **(0.26)** | (0.90) |
| **Loss per share from discontinued operation** | | | |
| — Basic and diluted (HK cents) | *12* | **–** | (0.15) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

| | Notes | Unaudited At 30 June 2018 HK$'000 | Audited At 31 December 2017 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **490,139** | 511,022 |
| Goodwill | | **75,036** | 75,036 |
| Deposits | | **1,217** | 199 |
| | | **566,392** | 586,257 |
| **Current assets** | | | |
| Biological assets | 14 | **5,771** | 5,766 |
| Inventories and consumables | | **108,095** | 45,428 |
| Trade receivables | 15 | **77,415** | 19,916 |
| Prepayments, deposits and other receivables | | **8,237** | 10,753 |
| Cash and cash equivalents | | **141,860** | 152,556 |
| | | **341,378** | 234,419 |
| **Current liabilities** | | | |
| Trade payables | 16 | **29,581** | 30,334 |
| Receipt in advance, accruals and other payables | | **97,456** | 102,833 |
| Contract liabilities | | **3,696** | – |
| Bank borrowing | 17 | **2,088** | 2,108 |
| Bonds payable | 18 | **100,000** | 77,803 |
| Finance lease payables | 19 | **28,928** | 34,143 |
| Other loans payable | 20 | **35,000** | – |
| Deferred government grants | | **1,139** | 1,157 |
| | | **297,888** | 248,378 |
| **Net current assets/(liabilities)** | | **43,490** | (13,959) |
| **Total assets less current liabilities** | | **609,882** | 572,298 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

| | Notes | Unaudited<br>At 30 June<br>2018<br>HK$'000 | Audited<br>At 31 December<br>2017<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank borrowing | *17* | **14,813** | 16,165 |
| Finance lease payables | *19* | **39,174** | 47,882 |
| Deferred government grants | | **7,967** | 8,681 |
| Deferred tax liabilities | | **1,492** | 3,613 |
| | | **63,446** | 76,341 |
| **Net assets** | | **546,436** | 495,957 |
| **EQUITY** | | | |
| Share capital | | **10,600** | 10,600 |
| Reserves | | **305,525** | 313,438 |
| **Equity attributable to the owners of the Company** | | **316,125** | 324,038 |
| Non-controlling interests | | **230,311** | 171,919 |
| **Total equity** | | **546,436** | 495,957 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 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$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Unaudited for the six months ended 30 June 2017** | | | | | | | | | | |
| **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 period | – | – | – | – | – | – | (10,100) | (10,100) | 34,115 | 24,015 |
| Other comprehensive income for the period: | | | | | | | | | | |
| Exchange differences arising on translating foreign operations | – | – | – | – | – | 3,678 | – | 3,678 | – | 3,678 |
| **Total comprehensive income for the period** | – | – | – | – | – | 3,678 | (10,100) | (6,422) | 34,115 | 27,693 |
| Transfer to statutory reserve | – | – | 5,240 | – | – | – | (5,240) | – | – | – |
| **At 30 June 2017** | 9,600 | 255,421 | 5,240 | 120,985 | 8,519 | (951) | (147,495) | 251,319 | 154,221 | 405,540 |
| **Unaudited for the six months ended 30 June 2018** | | | | | | | | | | |
| **At 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 period | **–** | **–** | **–** | **–** | **–** | **–** | **(2,726)** | **(2,726)** | **64,277** | **61,551** |
| Other comprehensive income for the period: | | | | | | | | | | |
| Exchange differences arising on translating foreign operations | **–** | **–** | **–** | **–** | **–** | **(5,187)** | **–** | **(5,187)** | **(5,885)** | **(11,072)** |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **–** | **–** | **(5,187)** | **(2,726)** | **(7,913)** | **58,392** | **50,479** |
| Transfer to statutory reserve | **–** | **–** | **2,020** | **–** | **–** | **–** | **(2,020)** | **–** | **–** | **–** |
| **At 30 June 2018** | **10,600** | **346,824** | **4,835** | **120,985** | **10,063** | **9,708** | **(186,890)** | **316,125** | **230,311** | **546,436** |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

| | Unaudited<br>Six months ended 30 June<br>2018<br>HK$'000 | <br><br>2017<br>HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash (used in)/generated from operations | **(18,220)** | 5,402 |
| Interest paid | **(1,787)** | (2,983) |
| **Net cash (used in)/from operating activities** | **(20,007)** | 2,419 |
| **Cash flows from investing activities** | | |
| Interest received | **558** | 99 |
| Purchase of property, plant and equipment | **(2,120)** | (1,078) |
| Proceeds from disposal of property, plant and equipment | **82** | 6 |
| Payments for plantation costs and others to immature bearer plants | **(4,221)** | (8,148) |
| Proceeds from redemption of short-term investment | **–** | 11,200 |
| Settlement of cash portion of consideration of acquisition in prior year | **–** | (110,000) |
| **Net cash used in investing activities** | **(5,701)** | (107,921) |
| **Cash flows from financing activities** | | |
| Proceeds from new finance leases | **–** | 2,341 |
| Repayment of obligations under finance leases | **(18,500)** | (23,436) |
| Proceeds from new bank borrowing | **–** | 22,400 |
| Repayment of bank borrowings | **(1,030)** | (23,200) |
| Proceeds from other loans payable | **35,000** | – |
| **Net cash from/(used in) financing activities** | **15,470** | (21,895) |
| Net decrease in cash and cash equivalents | **(10,238)** | (127,397) |
| Cash and cash equivalents at 1 January | **152,556** | 198,456 |
| Effect of exchange rates changes on cash and cash equivalents | **(458)** | (909) |
| **Cash and cash equivalents at 30 June** | **141,860** | 70,150 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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") are principally engaged in (i) 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 ("Construction Business"); and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings ("Plantation Business").

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") (the "discontinued operation") to an independent third party. The accompanying condensed consolidated interim financial statements and the comparative figures have been re-presented to reflect the results of the discontinued operation separately.

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.

These condensed consolidated interim financial statements for the six months ended 30 June 2018 (the "Period") have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements ("2017 Annual Financial Statements"). These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2017 Annual Financial Statements.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the board of directors (the "Board") is included on page 38.

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Continued)*

### Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors of the Company (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 below.

At the end of reporting period, the Group's current assets exceeded its current liabilities by approximately HK$43,490,000. However, the Group's bonds payable of HK$100,000,000 and accrued interest payable of approximately HK$70,529,000 were matured on 30 June 2018 as set out in note 18. The Directors consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 30 June 2018, on the basis that (i) an unconditional undertaking from the immediate and ultimate holding company of the Company so as to enable the Group to meet its obligations and liabilities as and when they fall due and to continue its day-to-day business operations as a viable going concern notwithstanding any present or future financial difficulties for coming twelve months at least up to 30 June 2019; and (ii) a shareholder's loan of HK$173,000,000 obtained from the immediate and ultimate holding company of the Company of which the loan has been drawn down on 28 August 2018 (Note 25(b)). 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, these condensed consolidated interim financial statements have been prepared on a going concern basis.

## 2. ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017 Annual Financial Statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. Save as disclosed in the changes in HKFRSs in note 3, the application of other new and revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in the unaudited condensed consolidated interim financial statements.

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

## 3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014–2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

## 3. CHANGES IN HKFRSs *(Continued)*

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

### A. HKFRS 9 Financial Instruments ("HKFRS 9")

#### (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 these condensed consolidated interim financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of 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, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("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 are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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.

## 3. CHANGES IN HKFRSs *(Continued)*

### A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

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

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 to be 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 other comprehensive income. 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 costs | 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. |

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 | Loans and receivables *(note 3A(ii))* | Amortised cost | 25,018 | 25,018 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 152,556 | 152,556 |

## 3. CHANGES IN HKFRSs *(Continued)*

### A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

#### (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 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 and other 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 trade receivables and the economic environment.

For other 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. 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 presumes that the credit risk on a financial asset has increased significantly since initial recognition when it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset has low credit risk when: (1) the customer has good repayment record; or (2) long term/on-going relationship.

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

## 3. CHANGES IN HKFRSs *(Continued)*

### A. HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

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

*Presentation of ECLs*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Impact of the ECLs model*

*(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. 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. Loss allowance of approximately HK$423,000 for trade receivables was recognised for the six months ended 30 June 2018.

*(b) Impairment of other receivables*

Other financial assets at amortised cost of the Group including other receivables. No additional impairment for these financial assets as at 1 January 2018 and during the six months period ended 30 June 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(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 consolidated statement of financial position as at 31 December 2017, but are recognised in the condensed consolidated statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses 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 assessments have 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.

## 3. CHANGES IN HKFRSs *(Continued)*

### B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

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 lease and from subleasing of plant and machinery will continue to be accounted for in accordance with HKAS 17 "Leases".

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 transition 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.

(i) 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.

## 3. CHANGES IN HKFRSs *(Continued)*

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

(i) 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.

(ii) 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.

(iii) Presentation and disclosure requirements

*Disaggregation of revenue*

As required for these condensed consolidated interim 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 5(b) 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 had 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2018

## 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 Annual Financial Statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3.

## 5. SEGMENT INFORMATION

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 Special Administrative Region ("Hong Kong")
— Singapore
— Vietnam
— Macao Special Administrative Region ("Macau")
— The People's Republic of China, excluding Hong Kong, Macau and Taiwan (the "PRC")

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 which are subject to risks and returns that are different from those of the other operating segments. All inter-segment transfers are carried out at prices mutually agreed between the parties.

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 headquarters. Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

## 5. SEGMENT INFORMATION *(Continued)*

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

| | Unaudited Six months ended 30 June 2018 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 |
| **Revenue** | | | | | | | |
| From external customers | 31,558 | 20,671 | – | – | 65,682 | – | 117,911 |
| From inter segment | – | 7,013 | – | – | – | (7,013) | – |
| **Reportable segment revenue** | 31,558 | 27,684 | – | – | 65,682 | (7,013) | 117,911 |
| **Reportable segment (loss)/profit** | (7,504) | (10,419) | (63) | (16) | 108,616 | – | 90,614 |
| Interest on bonds payable | | | | | | | (22,197) |
| Unallocated corporate expenses | | | | | | | (6,866) |
| **Profit for the period** | | | | | | | 61,551 |

| | Unaudited At 30 June 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Hong Kong HK$'000 | Singapore HK$'000 | Vietnam HK$'000 | Macau HK$'000 | PRC HK$'000 | Inter segment elimination HK$'000 | Total HK$'000 |
| **Reportable segment assets** | 156,397 | 184,017 | 131 | 175 | 524,948 | (2,510) | 863,158 |
| Other unallocated segment assets | | | | | | | 44,612 |
| **Total assets** | | | | | | | 907,770 |
| **Reportable segment liabilities** | 96,756 | 73,982 | 282 | 110 | 19,675 | – | 190,805 |
| Bonds payable | | | | | | | 100,000 |
| Other unallocated segment liabilities | | | | | | | 70,529 |
| **Total liabilities** | | | | | | | 361,334 |

## 5. SEGMENT INFORMATION *(Continued)*

(a) *(Continued)*

| | Unaudited Six months ended 30 June 2017 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 (re-presented) |
| **Revenue** | | | | | | | | | | | |
| From external customers | 30,905 | 30,546 | – | – | 65,945 | – | 127,396 | – | 28,109 | 28,109 | 155,505 |
| From inter segment | – | 1,069 | – | – | – | (1,069) | – | – | – | – | – |
| **Reportable segment revenue** | 30,905 | 31,615 | – | – | 65,945 | (1,069) | 127,396 | – | 28,109 | 28,109 | 155,505 |
| **Reportable segment (loss)/profit** | (3,984) | (6,486) | (22) | (12) | 64,046 | (57) | 53,485 | (7) | (1,444) | (1,451) | 52,034 |
| Interest on bonds payable | | | | | | | (16,815) | | | – | (16,815) |
| Interest on promissory note payable | | | | | | | (4,687) | | | – | (4,687) |
| Unallocated corporate expenses | | | | | | | (6,517) | | | – | (6,517) |
| **Profit/(loss) for the period** | | | | | | | 25,466 | | | (1,451) | 24,015 |

| | Audited At 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Hong Kong HK$'000 | Singapore HK$'000 | Vietnam HK$'000 | Macau HK$'000 | PRC HK$'000 | Inter segment elimination HK$'000 | Total HK$'000 |
| 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 |

## 5. SEGMENT INFORMATION *(Continued)*

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

| | Unaudited For the six months ended | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Continuing operations | | | | | | Discontinued operation | | | | | |
| | Construction Business | | Plantation Business | | Subtotal | | Pharmaceutical Business | | Subtotal | | Total | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Primary geographical markets** | | | | | | | | | | | | |
| Hong Kong | **31,558** | 29,734 | **–** | – | **31,558** | 29,734 | **–** | – | **–** | – | **31,558** | 29,734 |
| Singapore | **16,473** | 19,750 | **–** | – | **16,473** | 19,750 | **–** | – | **–** | – | **16,473** | 19,750 |
| Vietnam | **973** | – | **–** | – | **973** | – | **–** | – | **–** | – | **973** | – |
| PRC | **–** | – | **65,682** | 65,945 | **65,682** | 65,945 | **–** | 28,109 | **–** | 28,109 | **65,682** | 94,054 |
| Sri Lanka | **39** | 525 | **–** | – | **39** | 525 | **–** | – | **–** | – | **39** | 525 |
| Korea | **3,186** | 11,442 | **–** | – | **3,186** | 11,442 | **–** | – | **–** | – | **3,186** | 11,442 |
| Total | **52,229** | 61,451 | **65,682** | 65,945 | **117,911** | 127,396 | **–** | 28,109 | **–** | 28,109 | **117,911** | 155,505 |

| | Unaudited For the six months ended | | |
|---|---|---|---|
| | Construction Business | Plantation Business | Total |
| | 2018 | 2018 | 2018 |
| | HK$'000 | HK$'000 | HK$'000 |
| **Timing of revenue recognition** | | | |
| At a point in time | **9,681** | **65,682** | **75,363** |
| Transferred over time | **42,548** | **–** | **42,548** |
| | **52,229** | **65,682** | **117,911** |

## 6. REVENUE

Revenue from the Group's principal activities during the Period is as follows:

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | | (re-presented) |
| **Continuing operations** | | |
| Sales of machinery | **5,903** | 15,635 |
| Sales of spare parts | **3,778** | 3,172 |
| Rental income from leasing of owned plant and machinery and those held under finance leases | **24,109** | 27,739 |
| Rental income from subleasing of plant and machinery | **216** | 3,761 |
| Service income | **18,223** | 11,144 |
| Sales of dried exocarpium citri grandis | **65,682** | 65,945 |
| | **117,911** | 127,396 |
| **Discontinued operation** | | |
| Sales of proprietary Chinese medicines and health products *(Note 9(b))* | **–** | 28,109 |
| | **117,911** | 155,505 |

## 7. OTHER INCOME AND GAINS

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | | (re-presented) |
| **Continuing operations** | | |
| Bank interest income | **558** | 96 |
| Compensation received | **666** | 313 |
| Gain on disposal of property, plant and equipment | **6** | – |
| Government grants | | |
| — relating to unconditional subsidies | **–** | 90 |
| — for property, plant and equipment | **593** | 712 |
| Exchange gain, net | **–** | 1,577 |
| Others | **170** | 164 |
| | **1,993** | 2,952 |
| **Discontinued operation** | | |
| Bank interest income | **–** | 3 |
| Government grants | | |
| — relating to unconditional subsidies | **–** | 117 |
| *(Note 9(b))* | **–** | 120 |
| | **1,993** | 3,072 |

## 8. FINANCE COSTS

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | | (re-presented) |
| **Continuing operations** | | |
| Interest charges on financial liabilities stated at amortised cost: | | |
| — Bank borrowing | **165** | 623 |
| — Bonds payable | **22,197** | 16,815 |
| — Promissory note payable *(Note)* | **–** | 4,687 |
| — Finance lease payables | **1,622** | 1,925 |
| — Other loans payable | **557** | – |
| | **24,541** | 24,050 |
| **Discontinued operation** | | |
| Interest charges on financial liabilities stated at amortised cost: | | |
| — Bank borrowing *(Note 9(b))* | **–** | 435 |
| | **24,541** | 24,485 |

*Note:* The promissory note with principal amount of HK$110,000,000 is interest free and with maturity of two years after the issue date of promissory note on 23 December 2016. The interest charged on the promissory note was determined with the effective interest rate of 10.75% per annum.

## 9. PROFIT BEFORE INCOME TAX

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

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 (re-presented) |
| **Continuing operations** | | |
| Depreciation of property, plant and equipment | | |
| — Owned assets | **20,525** | 17,935 |
| — Assets held under finance leases | **7,460** | 7,185 |
| Maintenance cost of mature bearer plants | **9,468** | 7,967 |
| Impairment loss on trade receivables | **423** | – |
| Employee costs, included in cost of sales and services and administrative expenses | | |
| — Wages, salaries and bonus | **20,865** | 19,016 |
| — Contribution to defined contribution plans | **1,728** | 2,200 |
| Exchange loss, net | **1,729** | – |
| **Discontinued operation** | | |
| Depreciation of property, plant and equipment | | |
| — Owned assets | **–** | 1,627 |
| Employee costs, included in cost of sales and administrative expenses | | |
| — Wages, salaries and bonus | **–** | 2,595 |
| — Contribution to defined contribution plans | **–** | 778 |
| Write-down of inventories to net realisable value, included in cost of sales | **–** | 562 |

## 9. PROFIT BEFORE INCOME TAX *(Continued)*

### (b) Discontinued operation

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") were principally engaged in the manufacturing and sale of proprietary Chinese medicines and health products 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:

| | Unaudited Six months ended 30 June 2017 HK$'000 |
|---|---|
| Revenue *(Note 6)* | 28,109 |
| Cost of sales | (24,728) |
| Gross profit | 3,381 |
| Other income *(Note 7)* | 120 |
| Selling and distribution expenses | (229) |
| Administrative expenses | (3,208) |
| Other operating expenses | (1,319) |
| Finance costs *(Note 8)* | (435) |
| Loss before income tax *(Note 9(a))* | (1,690) |
| Income tax credit *(Note 10)* | 239 |
| Loss after income tax from discontinued operation | (1,451) |
| Operating cash flows | 3,223 |
| Investing cash flows | (77) |
| Financing cash flows | 5 |
| Total cash flows | 3,151 |

The comparative figures in the condensed consolidated interim financial statements for the six months ended 30 June 2017 have been re-presented to re-classify performance of Alpha Chance Group as a discontinued operation.

## 10. INCOME TAX CREDIT

| | Unaudited Six months ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | Continuing operations | | Discontinued operation | | Total | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 (re-presented) | **HK$'000** | HK$'000 (re-presented) | **HK$'000** | HK$'000 (re-presented) |
| Deferred tax | **2,061** | 227 | **–** | 239 | **2,061** | 466 |
| Total income tax credit | **2,061** | 227 | **–** | 239 | **2,061** | 466 |

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, Vietnam profits tax, Macau Complementary Tax and PRC Enterprise Income Tax ("EIT") have not been provided as the Group has no assessable profits for the periods.

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 profit 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 periods.

## 11. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the Period (2017: nil).

## 12. LOSS 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 (re-presented) |
|---|---|---|
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share (HK$'000) | **(2,726)** | (10,100) |
| **Number of shares** | | |
| Weighted average number of ordinary shares | **1,060,000,000** | 960,000,000 |
| Basic and diluted loss per share (HK cents) | **(0.26)** | (1.05) |

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the periods ended 30 June 2017 and 2018.

### (ii) Continuing operations

| | 2018 HK$'000 | 2017 HK$'000 (re-presented) |
|---|---|---|
| **Loss for the period attributable to owners of the Company** | | |
| — Continuing operations | **(2,726)** | (8,649) |
| — Discontinued operation | – | (1,451) |
| | **(2,726)** | (10,100) |
| Basic and diluted loss per share from continuing operations (HK cents) | **(0.26)** | (0.90) |

### (iii) Discontinued operation

| | 2018 HK$'000 | 2017 HK$'000 (re-presented) |
|---|---|---|
| Loss for the period attributable to owners of the Company | – | (1,451) |
| Basic and diluted loss per share from discontinued operation (HK cents) | – | (0.15) |

## 13. CAPITAL EXPENDITURES

During the Period, the Group incurred capital expenditures of approximately HK$2,120,000 and HK$4,221,000 (2017: approximately HK$1,078,000 and HK$8,148,000) which were mainly related to the additions of property, plant and equipment and payments for plantation costs and others to immature bearer plants respectively.

## 14. BIOLOGICAL ASSETS

Biological assets represent exocarpium citri grandis growing on bearer plants (''Growing Produce'') and harvested exocarpium citri grandis (''Fresh Fruits'') and seedlings of exocarpium citri grandis (''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 (audited)** | – | – | 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 (audited)** | – | – | 5,766 | 5,766 |
| Increase due to feeding (plantation costs and others) | – | – | 120 | 120 |
| Transfer to bearer plants | – | – | (15) | (15) |
| 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 | – | – | (100) | (100) |
| **At 30 June 2018 (unaudited)** | **–** | **–** | **5,771** | **5,771** |

## 14. BIOLOGICAL ASSETS *(Continued)*

The quantities of biological assets at the end of reporting periods are as follows:

| | **Unaudited At 30 June 2018** | Audited At 31 December 2017 |
|---|---|---|
| Seedlings (by unit) | **372,560** | 373,503 |

An independent professional valuer, Valtech Valuation Advisory Limited (2017: Greater China Appraisal Limited) was engaged to determine the fair value of biological assets at the reporting date. The valuation methodology used to determine the fair value of biological assets is in compliance with both Hong Kong Accounting Standard 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.

The fair value measurement of the biological assets for the Group is categorised as Level 3 fair value measurement.

There were no changes in valuation techniques during the Period.

During the Period, 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:

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Opening balance (level 3 recurring fair value) | **5,766** | 5,164 |
| Increase due to feeding (plantation costs and others) | **120** | 229 |
| Transfer to bearer plants | **(15)** | (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 | **(100)** | 379 |
| Closing balance (level 3 recurring fair value) | **5,771** | 5,766 |

## 15. TRADE RECEIVABLES

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Trade receivables, gross | **78,079** | 20,169 |
| Less: Provision for impairment | **(664)** | (253) |
| Trade receivables, net | **77,415** | 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 ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| 0–30 days | **45,434** | 6,120 |
| 31–60 days | **23,341** | 5,890 |
| 61–90 days | **3,547** | 4,972 |
| Over 90 days | **5,093** | 2,934 |
| | **77,415** | 19,916 |

## 16. TRADE PAYABLES

The credit period is, in general, ranging from 30 to 60 days or based on the terms agreed in the relevant purchase agreements.

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

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| 0–30 days | **5,876** | 14,904 |
| 31–60 days | **3,264** | 3,951 |
| 61–90 days | **3,830** | 4,486 |
| Over 90 days | **16,611** | 6,993 |
| | **29,581** | 30,334 |

## 17. BANK BORROWING

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Bank borrowing repayable: | | |
| Within one year | **2,088** | 2,108 |
| More than one year, but not exceeding two years | **2,128** | 2,148 |
| More than two years, but not exceeding five years | **6,629** | 6,693 |
| More than five years | **6,056** | 7,324 |
| | **16,901** | 18,273 |
| Portion classified as current liabilities | **(2,088)** | (2,108) |
| Non-current portion | **14,813** | 16,165 |

Bank borrowing was denominated in Singapore dollars bore interest at variable interest rates with effective interest rate at 1.9% (At 31 December 2017: 1.9% to 6.5%) per annum.

At 30 June 2018, bank borrowing of the Group was secured by building carried at cost of approximately HK$34,222,000 (At 31 December 2017: approximately HK$35,682,000) and corporate guarantees executed by the Company.

## 18. BONDS PAYABLE

The bonds with a total principal amount of HK$100,000,000 carried interest at a rate of 18% (At 31 December 2017: 18%) per annum, which were repayable on 30 June 2018.

The original repayment date of the bonds was on 11 June 2014. Upon amended and supplemented by letter 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 bond holders 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 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 the 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 bonds are secured by the equity interest of certain subsidiaries of the Group.

As set out in note 24, as at 30 June 2018, no repayment of bonds nor payment of interests accrued shall be required, and 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 24).

The Directors consider that the Revision of Terms to the bonds payable and the Delay Repayment did not constitute a substantial modification of financial liabilities, and therefore, the Group accounted for it in accordance with the Group's accounting policies disclosed in 2017 Annual Financial Statements.

## 19. FINANCE LEASE PAYABLES

| | Unaudited At 30 June 2018 HK$'000 | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Total minimum lease payments: | | |
| Due within one year | **31,141** | 36,908 |
| Due in the second to fifth years | **41,149** | 50,628 |
| Due after fifth years | **145** | 46 |
| | **72,435** | 87,582 |
| Future finance charges on finance leases | **(4,333)** | (5,557) |
| Present value of finance lease liabilities | **68,102** | 82,025 |
| Present value of minimum lease payments: | | |
| Due within one year | **28,928** | 34,143 |
| Due in the second to fifth years | **39,031** | 47,838 |
| Due after fifth years | **143** | 44 |
| | **68,102** | 82,025 |
| Less: Portion classified as current liabilities | **(28,928)** | (34,143) |
| Non-current portion | **39,174** | 47,882 |

The Group has entered into finance leases for items of plant and machinery. The average lease term is 2 to 7 years (At 31 December 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 weighted average effective interest rates at 30 June 2018 ranging from 1.5% to 8.6% (At 31 December 2017: ranging from 1.5% to 8.6%) per annum. The other finance lease payables bore interest at variable interest rates with weighted average effective interest rates ranging from 3.9% to 5.5% (At 31 December 2017: ranging from 3.4% to 4.7%) per annum.

At 30 June 2018, certain finance lease payables of the Group were secured by corporate guarantees executed by the Company and certain subsidiaries.

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.

## 20. OTHER LOANS PAYABLE

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 were respectively drawn down by a subsidiary of the Group.

## 21. 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:

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Within one year | **26,386** | 25,830 |
| In the second to fifth years, inclusive | **5,438** | 6,831 |
| | **31,824** | 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:

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Within one year | **2,412** | 23 |
| In the second to fifth years, inclusive | **207** | – |
| | **2,619** | 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.

## 21. COMMITMENTS *(Continued)*

### (b) Operating lease commitment — as lessee

The total future minimum lease payments of the Group in respect of machinery, the six parcels of woodlands with a total area of 2,151.36 mu in the PRC (the "Woodlands") in which plantations are suited, the land located in Singapore and premises located in Hong Kong under non-cancellable operating leases are as follows:

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Within one year | **5,300** | 3,986 |
| In the second to fifth years, inclusive | **770** | 1,114 |
| After five years | **590** | 552 |
| | **6,660** | 5,652 |

The lease payments 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 and the lease payment for the premises in Hong Kong run for an initial period of three years. All rentals are fixed over the lease terms and do not include contingent rentals.

### (c) Capital commitment

| | **Unaudited At 30 June 2018 HK$'000** | Audited At 31 December 2017 HK$'000 |
|---|---|---|
| Acquisition of property, plant and equipment — contracted but not provided for | **2,111** | 823 |

## 22. KEY MANAGEMENT PERSONNEL COMPENSATION

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Directors and other members of key management: | | |
| Short-term employee benefits | **2,939** | 2,812 |
| Post-employment benefits | **45** | 45 |
| | **2,984** | 2,857 |

## 23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Financial assets and liabilities measured at cost or amortised cost

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2018 and 31 December 2017.

## 24. SIGNIFICANT EVENT DURING THE PERIOD

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.

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 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 18 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. Subsequent to the period ended 30 June 2018 and as at the date of this report, the condition precedents of the Agreement had not been fulfilled in relation to completion of the Agreement.

In the event that the conditions are not fulfilled or waived on or before 31 August 2018 and the Agreement ceases and determines accordingly, the repayment of bonds payable and respective accrued interests will be settled by the unsecured shareholder's loan as set out in note 25(b) and internal financial resources of the Group.

## 25. EVENTS AFTER REPORTING DATE

(a) The trading in shares of the Company has been suspended with effect from 9:00 a.m. on 3 July 2018, as set out in the Company's announcements dated 3 July 2018 and 15 August 2018 pending the release of an announcement in relation to the proposed disposal of Hover Ascend as set out in note 24.

(b) 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 fulfillment of financial obligations of the Group. On 28 August 2018, HK$173,000,000 was drawn down by the Company.

## 26. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for six months ended 30 June 2018 were approved and authorised for issue by the Board on 28 August 2018.

# INDEPENDENT REVIEW REPORT

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**To the Board of Directors of Eagle Legend Asia Limited 鵬程亞洲有限公司**
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 3 to 37 which comprise the condensed consolidated statement of financial position of Eagle Legend Asia Limited and its subsidiaries as of 30 June 2018 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

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

Hong Kong, 28 August 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM DIVIDEND

The board (the "Board") of directors (the "Director(s)") of Eagle Legend Asia Limited (the "Company") does not declare the payment of an interim dividend in respect of the six months ended 30 June 2018 (the "Period") (2017: nil).

## OVERALL GROUP RESULTS

For the Period, the Company and its subsidiaries (collectively, the "Group") generated revenue from continuing operations of approximately HK$117.9 million (six months ended 30 June 2017: approximately HK$127.4 million) with a profit for the Period from continuing operations of approximately HK$61.6 million (six months ended 30 June 2017: profit of approximately HK$25.5 million) and loss for the Period attributable to owners of the Company from continuing operations of approximately HK$2.7 million (six months ended 30 June 2017: approximately HK$8.6 million).

On 15 August 2017, the Group completed the disposal of its business in manufacturing and sales of proprietary Chinese medicines and health products (the "Discontinued Operation") after considering its declined profitability and its loss position in recent years. Revenue from the Discontinued Operation was approximately HK$28.1 million for six months ended 30 June 2017 with a loss attributable to owners of the Company from Discontinued Operation of approximately HK$1.5 million.

The decrease in the revenue from continuing operations for the Period was mainly attributable to the decrease of sales of machinery and rental income from leasing of machinery.

The Group recorded revenue from sales of dried exocarpium citri grandis of approximately HK$65.7 million (six months ended 30 June 2017: approximately HK$65.9 million) for the Period under review. 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 Best Earnest Investments Limited, which is principally engaged in the cultivation, research, processing and sales of exocarpium citri grandis, a Chinese herbal medicine, and its seedlings in Huazhou City, Guangdong Province, the People's Republic of China (the "PRC"). Guangdong Dahe operates with over 93,000 fruit trees of exocarpium citri grandis on a total area of woodlands of 2,151.36 mu as at 30 June 2018, which is among one of the biggest cultivation business in its industry in Huazhou City.

Revenue from sales of machinery of approximately HK$5.9 million was recorded for the Period, representing a decrease of approximately 62% over the amount we achieved in the six months ended 30 June 2017. This was due to the decrease in demands of both new and used cranes in Hong Kong and Singapore.

Our rental income decreased to approximately HK$24.3 million for the Period, representing a decrease of approximately 23% as compared with approximately HK$31.5 million for the six months ended 30 June 2017. This was due to the decrease in rental contracts of cranes secured in Hong Kong and Singapore.

Sales of spare parts of approximately HK$3.8 million was recorded for the Period, representing an increase of approximately 19% over the amount recorded for the same period in 2017. The increase was mainly due to the change in market demand of spare parts for the machinery. Service income was recorded at approximately HK$18.2 million for the Period, approximately 64% higher than that of approximately HK$11.1 million for the same period in 2017. This was due to the increase in demand for services including chargeable climbing and dismantling activities during the Period.

Overall, the Group incurred total administrative and other operating expenses from continuing operations of approximately HK$69.2 million for the Period, representing an increase of approximately 10% over the amount incurred in the six months ended 30 June 2017.

Loss per share for the Period from continuing operations was HK0.26 cents (six months ended 30 June 2017: HK0.90 cents). Loss per share for the period from Discontinued Operation for six months ended 30 June 2017 was HK0.15 cents.

## OUTLOOK

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.

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 intends to establish 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.

On the other hand, 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 plans to set up research and development team to perform various researches in expanding its product line using exocarpium citri grandis as main ingredient. The Group will consider and formulate future development plans, such as investing in purchasing equipments for the pre-processing of exocarpium citri grandis, and making application to the relevant authorities in the PRC for the food production licence which is necessary for processing and sale of exocarpium citri grandis as food products, etc.

Regarding the Group's construction equipment business, the Group anticipates that it will continue to be under pressure in the second half of 2018 as a result of the severe competition in both Hong Kong and Singapore.

In Singapore, due to declining tower crane rental business economics in view of the oversupply of tower cranes in the market, the management observed that certain competitors started disposing of or re-deploying their rental fleet to other Asian countries, which caused a reduction in total rental crane supply in the first half of 2018. Accordingly, based on our tender experience in the first half of 2018, we noticed that the average rental rate for new rental contracts secured during the Period was relatively stable as compared to previous year. Notwithstanding the downward trend of market rental rate seems to be arrested, we do not expect the existing low rental rates in the market will be reversed upward in short or medium run.

The market in Hong Kong is similar with Singapore, while the supply of tower crane is abundant therefore the market rental rate remains under pressure. However, rental companies in Hong Kong continued to expand gradually in terms of fleet size, introduction of new tower crane brands and technical specifications due to the sustainable demand for tower crane based on the housing projects pipeline in both the public and private sectors. We would therefore anticipate that the second half of 2018 will be greeted by a tougher business environment in Hong Kong.

One trend in common in both Singapore and Hong Kong is the continuous market demand for better products or technical specifications. While Singapore shift towards the use of tower cranes with higher lifting capacity for the pre-fabricated building components and structure, the Hong Kong market focuses on measures to promote higher safety standard such as the need to install a secondary braking system and tower cranes with stronger tower section structure (masts) that better meets the Hong Kong wind code requirement. These trends would lead to higher investment risk in capital expenditure and a more stressful return on investments.

Looking ahead, the Group will continue to monitor and review its existing businesses and proactively formulate appropriate strategy to gear up in exploring new business opportunities in the market, as to expand its business scope which aim to contribute satisfying returns to the shareholders (the "Shareholder(s)") of the Company in the long run.

## SUBSEQUENT EVENT AFTER REPORTING PERIOD

(a) The trading in shares of the Company has been suspended with effect from 9:00 a.m. on 3 July 2018, as set out in the Company's announcements dated 3 July 2018 and 15 August 2018, pending the release of an announcement in relation to the proposed disposal of Hover Ascend Limited ("Hover Ascend"), a subsidiary of the Group, as set out in note 24.

(b) 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 fulfillment of financial obligations of the Group. On 28 August 2018, HK$173,000,000 was drawn down by the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$141.9 million (At 31 December 2017: approximately HK$152.6 million).

As at 30 June 2018, the Group's total assets amounted to approximately HK$907.8 million, representing an increase of approximately HK$87.1 million over that of 31 December 2017.

The Group's gearing ratio as at 30 June 2018 was 0.4 (At 31 December 2017: 0.4), which was calculated on the basis by dividing total debts (sum of bonds payable, bank borrowing, other loans payable and finance lease payables) by the total equity as at the respective dates.

During the Period and as at 30 June 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 is primarily denominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers are usually denominated in Euro or United States dollar. Revenue and purchases in our cultivation, research, processing and sales of exocarpium citri grandis and its seedings 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 the PRC operations.

As at 30 June 2018, the Group had net current assets of approximately HK$43.5 million (At 31 December 2017: net current liabilities of approximately HK$14.0 million).

The Group generally finances its ordinary operations with internally generated resources or banking facilities. The interest rates of most of the borrowings and finance lease arrangements are charged by reference to prevailing market rates.

The debts (including bonds payable, bank borrowing, other loans payable and finance lease payables) of the Group were denominated in HK$, US$, S$ and RMB, of which approximately HK$166.0 million is repayable within one year after 30 June 2018 (At 31 December 2017: approximately HK$114.1 million) and approximately HK$54.0 million is repayable more than one year (At 31 December 2017: approximately HK$64.0 million).

## CAPITAL STRUCTURE

As at 30 June 2018, the Company's share capital comprised 1,060,000,000 issued ordinary shares of HK$0.01 each (the "Shares", each, a "Share"). There was no change in the share capital of the Company during the Period.

## INVESTMENT POSITION AND PLANNING

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.

Pursuant to the written resolution 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. As at the date of this report, the Deregistration is in process.

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.

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 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. 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 18 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. Subsequent to the period ended 30 June 2018 and as at the date of this report, the condition precedents of the Agreement had not been fulfilled in relation to completion of the Agreement.

In the event that the conditions are not fulfilled or waived on or before 31 August 2018 and the Agreement ceases and determines accordingly, the repayment of bonds payable and respective accrued interests will be settled by the unsecured Shareholder's loan as set out in note 25(b) and internal financial resources of the Group.

## MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARY

Saved as disclosed elsewhere in this report, the Group had no material acquisition or disposal of subsidiary during the Period.

## PLEDGE OF GROUP ASSETS AND CONTINGENT LIABILITIES

At 30 June 2018, the Group's banking facilities were secured by a building of the Group, carried at cost, with an aggregate carrying amount of approximately HK$34.2 million (At 31 December 2017: approximately HK$35.7 million). The bonds of the principal amount of HK$100.0 million are secured by the equity interest of certain subsidiaries.

As at 30 June 2018, the Group had no significant contingent liabilities (At 31 December 2017: Nil).

## EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 118 (At 31 December 2017: 121) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problem with its employee or disruption 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.

# DISCLOSURE OF ADDITIONAL INFORMATION

## 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 30 June 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

### Interests in the Shares

Long positions in ordinary Shares and underlying Shares

| Name of Director | Number of Shares held | | 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 Investments Limited ("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 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or 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.

# DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2018, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of substantial Shareholders and other persons (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:

### Interests in the Shares

Long positions in ordinary Shares and underlying Shares

| Name | Nature of interests/ Holding capacity | Number of Shares held | 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 Person: | | | |
| Mr. He Xiao Yang | 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 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the substantial Shareholders and other persons (other than the Directors or the chief executives of the Company) had interests or short positions in the Shares or 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

At no time during the Period was the Company or any of its holding companies and subsidiaries a party to any arrangement to enable the Directors or the chief executives 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.

# DISCLOSURE OF ADDITIONAL INFORMATION

## 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 contribution to, and continuing efforts to promote the interest of, the Group. The eligible participants includes (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, independent non-executive Directors and their respective associates being subject to 0.1% of the total 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.

# DISCLOSURE OF ADDITIONAL INFORMATION

## SHARE OPTION SCHEME *(Continued)*

(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 the Share.

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

As at 30 June 2018 and the date of this report, no share options have been granted under the Old Scheme.

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 30 June 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 Period.

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.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has, throughout the Period, complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with written terms of reference on 25 June 2010. 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 and 22 March 2017.

As at 30 June 2018, the members of the Audit Committee comprises three independent non-executive Directors, namely Mr. Wan Tze Fan Terence (as chairman), Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris.

## REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditor's review engagement and financial reporting matters, including the review of the unaudited condensed consolidated interim financial statements for the Period under review, with the management and the external auditor.

The external auditor has reviewed the unaudited condensed consolidated interim financial statements for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

# DISCLOSURE OF ADDITIONAL INFORMATION

## COMPETING INTERESTS

During the Period, none of the Directors, substantial Shareholders or any of their respective associates (as defined in the Listing Rules) has any interest in a business which caused or might cause any significant competition with the business of the Company.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By order of the Board
**Eagle Legend Asia Limited**
**Zeng Li**
*Chairman*

Hong Kong, 28 August 2018

*As at the date of this report, the Board comprises Mr. Zeng Li (Chairman), Mr. Winerthan Chiu and Mr. Chan Ka Lun as executive Directors; and Mr. Wan Tze Fan Terence, Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris as independent non-executive Directors.*