



EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 936)

INTERIM REPORT

2019

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zeng Li (*Chairman*)
Mr. Guo Peineng (*Deputy Chairman*)
Mr. Winerthan Chiu (*Chief Executive Officer*)
Mr. Chen Huajie

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 54, 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.
China Resources Building
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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 2019

| | Notes | Unaudited Six months ended 30 June | |
|--|-------|---------------------------------------|------------------|
| | | 2019 HK\$'000 | 2018 HK\$'000 |
| Revenue | 6 | 91,380 | 117,911 |
| Cost of sales and services | | (45,774) | (49,455) |
| Gross profit | | 45,606 | 68,456 |
| Gain arising from changes in fair value less costs to sell of biological assets | 15 | 94,581 | 83,996 |
| Other income and gains | 7 | 1,997 | 1,993 |
| Selling and distribution expenses | | (1,515) | (1,261) |
| Administrative expenses | | (24,263) | (31,700) |
| Other operating expenses | 8 | (44,275) | (37,453) |
| Finance costs | 9 | (10,962) | (24,541) |
| Profit before income tax | 10 | 61,169 | 59,490 |
| Income tax credit | 11 | 1,868 | 2,061 |
| Profit for the period | | 63,037 | 61,551 |
| Other comprehensive income | | | |
| Item that will not be reclassified to profit or loss: | | | |
| Loss on revaluation of properties, net of tax | | (699) | – |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | 2,795 | (11,072) |
| Total comprehensive income for the period | | 65,133 | 50,479 |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the Company | | 10,690 | (2,726) |
| Non-controlling interests | | 52,347 | 64,277 |
| | | 63,037 | 61,551 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 11,611 | (7,913) |
| Non-controlling interests | | 53,522 | 58,392 |
| | | 65,133 | 50,479 |
| Earnings/(loss) per share | | | |
| – Basic and diluted (HK cents) | 13 | 1.01 | (0.26) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

| | <i>Notes</i> | Unaudited At 30 June 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|---|--------------|---|---|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 360,865 | 489,116 |
| Right-of-use assets | | 113,372 | – |
| Deferred tax assets | | 1,779 | – |
| Goodwill | | 76,376 | 75,706 |
| Deposits | | 322 | 107 |
| | | 552,714 | 564,929 |
| Current assets | | | |
| Biological assets | 15 | 6,346 | 6,052 |
| Inventories and consumables | | 165,809 | 92,012 |
| Trade receivables | 16 | 50,659 | 26,363 |
| Prepayments, deposits and other receivables | | 5,809 | 8,704 |
| Cash and cash equivalents | | 95,260 | 120,487 |
| | | 323,883 | 253,618 |
| Non-current asset held for sale | 14 | 11,880 | – |
| | | 335,763 | 253,618 |
| Current liabilities | | | |
| Trade payables | 17 | 17,613 | 27,145 |
| Receipt in advance, accruals and other payables | | 46,247 | 31,832 |
| Contract liabilities | | 1,117 | 2,858 |
| Bank borrowing | 18 | 2,134 | 2,100 |
| Shareholder's loans | 19 | 183,000 | 178,000 |
| Lease liabilities | | 27,732 | – |
| Finance lease payables | 20 | – | 28,610 |
| Deferred government grants | | 1,204 | 1,155 |
| | | 279,047 | 271,700 |
| Net current assets/(liabilities) | | 56,716 | (18,082) |
| Total assets less current liabilities | | 609,430 | 546,847 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

| | <i>Notes</i> | Unaudited At 30 June 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|---|--------------|---|---|
| Non-current liabilities | | | |
| Bank borrowing | 18 | 12,729 | 13,754 |
| Lease liabilities | | 40,090 | – |
| Finance lease payables | 20 | – | 41,341 |
| Deferred government grants | | 7,489 | 7,674 |
| Deferred tax liabilities | | 1,631 | 1,720 |
| | | 61,939 | 64,489 |
| Net assets | | 547,491 | 482,358 |
| EQUITY | | | |
| Share capital | | 10,600 | 10,600 |
| Reserves | | 272,862 | 261,251 |
| Equity attributable to the owners of the Company | | 283,462 | 271,851 |
| Non-controlling interests | | 264,029 | 210,507 |
| Total equity | | 547,491 | 482,358 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019

| | 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 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 |
| Unaudited for the six months ended 30 June 2019 | | | | | | | | | | |
| At 1 January 2019 | 10,600 | 346,824 | 5,657 | 120,985 | 11,508 | 3,600 | (227,323) | 271,851 | 210,507 | 482,358 |
| Profit for the period | - | - | - | - | - | - | 10,690 | 10,690 | 52,347 | 63,037 |
| Other comprehensive income for the period: | | | | | | | | | | |
| Loss on revaluation of land and building | - | - | - | - | (699) | - | - | (699) | - | (699) |
| Exchange differences arising on translating foreign operations | - | - | - | - | - | 1,620 | - | 1,620 | 1,175 | 2,795 |
| Total comprehensive income for the period | - | - | - | - | (699) | 1,620 | 10,690 | 11,611 | 53,522 | 65,133 |
| Transfer to statutory reserve | - | - | 636 | - | - | - | (636) | - | - | - |
| At 30 June 2019 | 10,600 | 346,824 | 6,293 | 120,985 | 10,809 | 5,220 | (217,269) | 283,462 | 264,029 | 547,491 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

| | Unaudited | |
|--|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Cash generated from/(used in) operations | 5,507 | (18,220) |
| Interest paid | (2,004) | (1,787) |
| Net cash from/(used in) operating activities | 3,503 | (20,007) |
| Cash flows from investing activities | | |
| Interest received | 155 | 558 |
| Purchase of property, plant and equipment | (12,429) | (2,120) |
| Proceeds from disposal of property, plant and equipment | – | 82 |
| Payments for plantation costs and others to immature bearer plants | (3,706) | (4,221) |
| Net cash used in investing activities | (15,980) | (5,701) |
| Cash flows from financing activities | | |
| Repayment of principal portion of lease liabilities | (17,638) | – |
| Repayment of obligations under finance leases | – | (18,500) |
| Repayment of bank borrowings | (1,046) | (1,030) |
| Proceeds from other loans payable | – | 35,000 |
| Proceeds from shareholder's loans | 5,000 | – |
| Net cash (used in)/from financing activities | (13,684) | 15,470 |
| Net decrease in cash and cash equivalents | (26,161) | (10,238) |
| Cash and cash equivalents at 1 January | 120,487 | 152,556 |
| Effect of exchange rates changes on cash and cash equivalents | 934 | (458) |
| Cash and cash equivalents at 30 June | 95,260 | 141,860 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

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 and providing repair and maintenance services in respect of the construction machinery (“Construction Equipment Business”); and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings (“Plantation Business”).

The 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 2019 (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 2018 annual financial statements (“2018 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 2018 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 35.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

2. ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 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 2019. 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 16, Leases
- HK(IFRIC)-Interpretation 23, Uncertainty over Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term interest in Investments in Associates and Joint Ventures
- Amendments to HKFRS 3 included in Annual Improvements to HKFRSs 2015-2017 Cycle, Business Combinations
- Amendments to HKFRS 11 included in Annual Improvements to HKFRSs 2015-2017 Cycle, Joint Arrangements
- Amendments to HKAS 12 included in Annual Improvements to HKFRSs 2015-2017 Cycle, Income Taxes
- Amendments to HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle, Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

3. CHANGES IN HKFRSs *(Continued)*

(i) Impact of the adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group’s accounting policies and the transition method adopted as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “finance lease payables”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in the superseded HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

3. CHANGES IN HKFRSs *(Continued)*

(i) Impact of the adoption of HKFRS 16 *(Continued)*

The reconciliation of operating lease commitment to lease liabilities is set out below:

| | 1 January 2019 HK\$'000 |
|--|-------------------------------|
| Operating lease commitments at 31 December 2018 | 10,944 |
| Less: Recognition exemption – short-term leases | (3,424) |
| Less: Total future interest expenses | (986) |
| Add: Extension option reasonably certain to be exercised | 7,976 |
| Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 | 14,510 |
| Add: finance lease liabilities recognised as at 31 December 2018 | 69,951 |
| Total lease liabilities recognised at 1 January 2019 | 84,461 |
| Analysed as: | |
| Current | 31,468 |
| Non-current | 52,993 |
| Total lease liabilities recognised at 1 January 2019 | 84,461 |

The lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is ranging from 6.23 to 8.02%.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

| | 1 January 2019 HK\$'000 |
|---|-------------------------------|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 14,510 |
| Amount included in property, plant and equipment under HKAS 17 – Assets previously under finance leases | 108,995 |
| Total right-of-use assets recognised at 1 January 2019 | 123,505 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

3. CHANGES IN HKFRSs (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

| | Carry amount at 31 December 2018 HK\$'000 | Adjustments HK\$'000 | Carry amount at 1 January 2019 HK\$'000 |
|---|--|-------------------------|--|
| Line items in the condensed consolidated statement of financial position impacted by the adoption of HKFRS 16: | | | |
| ASSETS | | | |
| Property, plant and equipment | 489,116 | (108,995) | 380,121 |
| Right-of-use assets | – | 123,505 | 123,505 |
| LIABILITIES | | | |
| Finance lease payables (current) | 28,610 | (28,610) | – |
| Lease liabilities (current) | – | 31,468 | 31,468 |
| Finance lease payables (non-current) | 41,341 | (41,341) | – |
| Lease liabilities (non-current) | – | 52,993 | 52,993 |
| Effects on net assets | 419,165 | – | 419,165 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

3. CHANGES IN HKFRSs *(Continued)*

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified assets for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified assets and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases in which the Group is a lessee.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the date of adoption of HKFRS 16, i.e. 1 January 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

3. CHANGES IN HKFRSs *(Continued)*

(iii) Accounting as a lessee *(Continued)*

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease Liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

3. CHANGES IN HKFRSs *(Continued)*

(iv) Accounting as a lessor

In accordance with the transitional provisions in HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Sub-lease

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and finance lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

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 2018 Annual Financial Statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 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 ("Macao")
- 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 headquarter. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

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 2019 | | | | | | |
|---|--|-----------------------|---------------------|-------------------|-----------------|---|-------------------|
| | 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 | 35,678 | 26,513 | - | - | 29,189 | - | 91,380 |
| From inter segment | - | - | - | - | - | - | - |
| Reportable segment revenue | 35,678 | 26,513 | - | - | 29,189 | - | 91,380 |
| Reportable segment (loss)/profit | (5,291) | (6,688) | (62) | (19) | 88,461 | - | 76,401 |
| Interest on shareholder's loans | | | | | | | (8,958) |
| Unallocated corporate expenses | | | | | | | (3,476) |
| – Corporate staff costs | | | | | | | (930) |
| – Others | | | | | | | |
| Profit for the period | | | | | | | 63,037 |
| | | | | | | | |
| | Unaudited At 30 June 2019 | | | | | | |
| | 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 | 124,789 | 165,751 | 220 | 157 | 587,878 | (2,510) | 876,285 |
| Non-current asset held for sale | 11,880 | - | - | - | - | - | 11,880 |
| Unallocated segment assets | | | | | | | 312 |
| Total assets | | | | | | | 888,477 |
| Reportable segment liabilities | 75,585 | 57,758 | 276 | 14 | 24,353 | - | 157,986 |
| Shareholder's loans | | | | | | | 183,000 |
| Total liabilities | | | | | | | 340,986 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

5. SEGMENT INFORMATION (Continued)

(a) (Continued)

| | Unaudited | | | | | | Inter segment elimination | Total |
|---|-------------------------------|-----------------------|---------------------|-------------------|-----------------|---------|---------------------------|-------|
| | Six months ended 30 June 2018 | | | | | | | |
| | Hong Kong HK\$'000 | Singapore HK\$'000 | Vietnam HK\$'000 | Macau HK\$'000 | PRC HK\$'000 | | 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 | | | | | | | | |
| – Corporate staff costs | | | | | | | (3,154) | |
| – Others | | | | | | | (3,712) | |
| Profit for the period | | | | | | | 61,551 | |
| | | | | | | | | |
| | Audited | | | | | | Inter segment elimination | Total |
| | At 31 December 2018 | | | | | | | |
| | Hong Kong HK\$'000 | Singapore HK\$'000 | Vietnam HK\$'000 | Macau HK\$'000 | PRC HK\$'000 | | HK\$'000 | |
| Reportable segment assets | 149,726 | 172,955 | 289 | 173 | 493,850 | (2,510) | 814,483 | |
| Other unallocated segment assets | | | | | | | 4,064 | |
| Total assets | | | | | | | 818,547 | |
| Reportable segment liabilities | 69,670 | 60,757 | 283 | 26 | 21,441 | – | 152,177 | |
| Shareholder's loans | | | | | | | 178,000 | |
| Other unallocated segment liabilities | | | | | | | 6,012 | |
| Total liabilities | | | | | | | 336,189 | |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

5. SEGMENT INFORMATION *(Continued)*

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

| | Unaudited For the six months ended | | | | | |
|-------------------------------------|---------------------------------------|------------------|---------------------|------------------|------------------|------------------|
| | Construction Equipment Business | | Plantation Business | | Total | |
| | 2019 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Primary geographical markets | | | | | | |
| Hong Kong (place of domicile) | 35,678 | 31,558 | – | – | 35,678 | 31,558 |
| Singapore | 21,520 | 16,473 | – | – | 21,520 | 16,473 |
| Vietnam | 4,008 | 973 | – | – | 4,008 | 973 |
| PRC | – | – | 29,189 | 65,682 | 29,189 | 65,682 |
| Sri Lanka | 979 | 39 | – | – | 979 | 39 |
| Korea | 6 | 3,186 | – | – | 6 | 3,186 |
| Total | 62,191 | 52,229 | 29,189 | 65,682 | 91,380 | 117,911 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

6. REVENUE

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

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Sales of machinery | 14,671 | 5,903 |
| Sales of spare parts | 2,796 | 3,778 |
| Rental income from leasing of owned machinery | 14,673 | – |
| Rental income from subleasing of right-of-use assets | 10,151 | – |
| Rental income from leasing of owned plant and machinery and those held under finance leases | – | 24,109 |
| Rental income from subleasing of plant and machinery | – | 216 |
| Service income | 19,900 | 18,223 |
| Sales of dried exocarpium citri grandis | 29,189 | 65,682 |
| | 91,380 | 117,911 |

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

| | Unaudited For the six months ended | | | | | |
|--------------------------------------|---------------------------------------|------------------|---------------------|------------------|------------------|------------------|
| | Construction Equipment Business | | Plantation Business | | Total | |
| | 2019 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 |
| Timing of revenue recognition | | | | | | |
| At a point in time | 17,467 | 9,681 | 29,189 | 65,682 | 46,656 | 75,363 |
| Transferred over time | 19,900 | 18,223 | – | – | 19,900 | 18,223 |
| Revenue from other sources | 37,367 | 27,904 | 29,189 | 65,682 | 66,556 | 93,586 |
| | 24,824 | 24,325 | – | – | 24,824 | 24,325 |
| | 62,191 | 52,229 | 29,189 | 65,682 | 91,380 | 117,911 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

7. OTHER INCOME AND GAINS

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Bank interest income | 155 | 558 |
| Compensation received | 272 | 666 |
| Gain on disposal of property, plant and equipment | – | 6 |
| Government grants | | |
| – for property, plant and equipment | 671 | 593 |
| Exchange gain, net | 318 | – |
| Recovery of impairment loss on trade receivables, net | 241 | – |
| Others | 340 | 170 |
| | 1,997 | 1,993 |

8. OTHER OPERATING EXPENSES

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Depreciation of property, plant and equipment: | | |
| – Owned assets | 18,907 | 20,525 |
| – Assets held under finance lease | – | 7,460 |
| Depreciation of right-of-use assets | 11,239 | – |
| Maintenance cost of mature bearer plants | 11,111 | 9,468 |
| Written off of mature bearer plants | 3,018 | – |
| | 44,275 | 37,453 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

9. FINANCE COSTS

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Interest charges on financial liabilities stated at amortised cost: | | |
| – Bank borrowing | 193 | 165 |
| – Bonds payable | – | 22,197 |
| – Shareholder's loans | 8,958 | – |
| – Finance lease payables | – | 1,622 |
| – Lease liabilities | 1,811 | – |
| – Other loans payable | – | 557 |
| | 10,962 | 24,541 |

10. PROFIT BEFORE INCOME TAX

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

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Depreciation of property, plant and equipment | | |
| – Owned assets | 18,907 | 20,525 |
| – Assets held under finance leases | – | 7,460 |
| Depreciation of right-of-use assets | 11,239 | – |
| Maintenance cost of mature bearer plants | 11,111 | 9,468 |
| (Recovery of impairment loss)/impairment loss on trade receivables, net | (241) | 423 |
| Leases charges in respect of the premise (<i>Note</i>) | 548 | 548 |
| Written off of mature bearer plants | 3,018 | – |
| Employee costs, included in cost of sales and services and administrative expenses | | |
| – Wages, salaries and bonus | 19,019 | 20,865 |
| – Contribution to defined contribution plans | 1,500 | 1,728 |
| Exchange (gain)/loss, net | (318) | 1,729 |

Note: The premise is determined as short-term lease with remaining lease term ending on or before 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

11. INCOME TAX CREDIT

| | Unaudited Six months ended 30 June | |
|--------------------------------|---------------------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Deferred tax | 1,868 | 2,061 |
| Total income tax credit | 1,868 | 2,061 |

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 in respective jurisdictions 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.

12. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the Period (2018: nil).

13. EARNINGS/(LOSS) PER SHARE

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

| | 2019 | 2018 |
|---|----------------------|---------------|
| Earnings/(loss) | | |
| Earnings/(loss) for the purposes of basic and diluted earning/(loss) per share (HK\$'000) | 10,690 | (2,726) |
| Number of shares | | |
| Weighted average number of ordinary shares | 1,060,000,000 | 1,060,000,000 |
| Basic and diluted earnings/(loss) per share (HK cents) | 1.01 | (0.26) |

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share, as there were no potential dilutive ordinary shares issued during the periods ended 30 June 2018 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

14. CAPITAL EXPENDITURES

During the Period, the Group incurred capital expenditures of approximately HK\$12,429,000 and HK\$3,706,000 (2018: approximately HK\$2,120,000 and HK\$4,221,000) which were mainly related to the additions of property, plant and equipment and payments for plantation costs and others to immature bearer plants respectively.

Pursuant to written resolutions of board of directors dated 16 April 2019, the directors approved the disposal of the Group's revalued land and building in Hong Kong. Accordingly, management reclassified the revalued land and building to non-current asset held for sale as at 30 June 2019, as the carrying amount would be recovered principally through sale, the revalued land and building is available for immediate sale at their present conditions and such sale is considered highly probable. The disposal has not yet been completed as of 30 June 2019. Details of completion of disposal, please refer to note 24.

15. 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 | Fresh Fruits | Seedlings | Total |
|---|----------------------------|-------------------------|------------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2018 (audited) | – | – | 5,766 | 5,766 |
| Increase due to feeding (plantation costs and others) | – | – | 729 | 729 |
| Transfer to bearer plants | – | – | (74) | (74) |
| Gain arising from changes in fair value less costs to sell | 9,468 | 74,528 | – | 83,996 |
| Transfer due to harvest | (9,468) | 9,468 | – | – |
| Transfer to inventories | – | (83,996) | – | (83,996) |
| Exchange differences | – | – | (369) | (369) |
| At 31 December 2018 and 1 January 2019 (audited) | – | – | 6,052 | 6,052 |
| Increase due to feeding (plantation costs and others) | – | – | 43 | 43 |
| Gain arising from changes in fair value less costs to sell | 11,111 | 83,470 | – | 94,581 |
| Transfer due to harvest | (10,910) | 10,910 | – | – |
| Transfer to inventories | – | (94,380) | – | (94,380) |
| Exchange differences | (3) | – | 53 | 50 |
| At 30 June 2019 (unaudited) | 198 | – | 6,148 | 6,346 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

15. BIOLOGICAL ASSETS (Continued)

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

| | Unaudited At 30 June 2019 | Audited At 31 December 2018 |
|---------------------------|--|-----------------------------------|
| Growing Produce (by unit) | 115,172 | – |
| Seedlings (by unit) | 368,810 | 368,810 |

An independent professional valuer, Valtech Valuation Advisory 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.

There were no changes in valuation techniques during the Period.

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

During the 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 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|--|---|---|
| Opening balance (level 3 recurring fair value) | 6,052 | 5,766 |
| Increase due to feeding (plantation costs and others) | 43 | 729 |
| Transfer to bearer plants | – | (74) |
| Gain arising from changes in fair value less costs to sell | 94,581 | 83,996 |
| Transfer to inventories | (94,380) | (83,996) |
| Exchange differences | 50 | (369) |
| Closing balance (level 3 recurring fair value) | 6,346 | 6,052 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

16. TRADE RECEIVABLES

| | Unaudited At 30 June 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|--------------------------|---|---|
| Trade receivables, gross | 51,935 | 27,878 |
| Less: Loss allowance | (1,276) | (1,515) |
| Trade receivables, net | 50,659 | 26,363 |

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 180 days (2018: 0 to 120 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 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|--------------|---|---|
| 0–30 days | 36,747 | 8,812 |
| 31–60 days | 3,871 | 9,278 |
| 61–90 days | 2,572 | 3,457 |
| Over 90 days | 7,469 | 4,816 |
| | 50,659 | 26,363 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

17. 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 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|--------------|---|---|
| 0–30 days | 5,000 | 14,914 |
| 31–60 days | 4,958 | 3,335 |
| 61–90 days | 1,600 | 2,529 |
| Over 90 days | 6,055 | 6,367 |
| | 17,613 | 27,145 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

18. BANK BORROWING

| | Unaudited At 30 June 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|---|---|---|
| Bank borrowing repayable: | | |
| Within one year | 2,134 | 2,100 |
| More than one year, but not exceeding two years | 2,168 | 2,153 |
| More than two years, but not exceeding five years | 6,755 | 6,788 |
| More than five years | 3,806 | 4,813 |
| | 14,863 | 15,854 |
| Portion classified as current liabilities | (2,134) | (2,100) |
| | 12,729 | 13,754 |

Bank borrowing denominated in Singapore dollars bore interest at variable interest rates with effective interest rate at 2.5% (At 31 December 2018: 1.9% to 2.5%) per annum.

At 30 June 2019, bank borrowing of the Group was secured by building carried at cost of approximately HK\$32,756,000 (At 31 December 2018: approximately HK\$33,432,000) and corporate guarantees executed by the Company and certain subsidiaries.

No provision for the obligation of the Company and certain subsidiaries under corporate guarantees have been made as the Directors considered that it is not probable the repayment of bank borrowings would be in default.

At 31 December 2018 and 30 June 2019, the relevant loan agreements of outstanding bank borrowing did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

19. SHAREHOLDER'S LOANS

On 28 August 2018, the Company entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK\$173,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for fulfilment of financial obligations of the Group. On 28 August 2018, HK\$173,000,000 was drawn down by the Company.

On 30 November 2018, the Company entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK\$5,000,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 3 December 2018, HK\$5,000,000 was drawn down by the Company.

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

On 24 April 2019, the Company further entered into an unsecured shareholder's loan agreement with the immediate and ultimate holding company of the Company in relation to the loan of HK\$2,500,000 bearing interest at 10% per annum and repayable on demand. The loan, if drawn down, will be used for financing the daily operations of the Group. On 25 April 2019, HK\$2,500,000 was drawn down by the Company.

Mr. Zeng Li who is the sole director of the immediate and ultimate holding company of the Company and is also the director of the Company.

Shareholder's loans were not secured by any assets of the Group. In the opinion of the Directors, the shareholder's loans were granted to the Company on normal commercial terms or better to the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

20. FINANCE LEASE PAYABLES

| | Audited At 31 December 2018 HK\$'000 |
|---|---|
| Total minimum lease payments: | |
| Due within one year | 30,974 |
| Due in the second to fifth years | 43,678 |
| Due after fifth years | 37 |
| | 74,689 |
| Future finance charges on finance leases | (4,738) |
| Present value of finance lease liabilities | 69,951 |
| Present value of minimum lease payments: | |
| Due within one year | 28,610 |
| Due in the second to fifth years | 41,304 |
| Due after fifth years | 37 |
| | 69,951 |
| Less: Portion classified as current liabilities | (28,610) |
| Non-current portion | 41,341 |

The Group has entered into finance leases for items of plant and machinery. The average lease term at 31 December 2018 is 2 to 7 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

Certain finance lease payables bore interest at fixed interest rates with effective interest rates at 31 December 2018 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 at 31 December 2018 ranging from 3.9% to 5.8% per annum.

At 31 December 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.

At 1 January 2019, the finance lease payables had been reclassified as lease liabilities as set out in note 3(i).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

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 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|---|---|---|
| Within one year | 25,090 | 36,137 |
| In the second to fifth years, inclusive | 3,138 | 7,064 |
| | 28,228 | 43,201 |

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 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|---|---|---|
| Within one year | 1,688 | 2,418 |
| In the second to fifth years, inclusive | 381 | 47 |
| | 2,069 | 2,465 |

In prior year, the Group leased its machinery under operating leases arrangements which run for an initial period of one to two years. All leases were on a fixed rental basis and did not include contingent rentals. The terms of leases generally required the lessee to pay security deposits.

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for the six months ended 30 June 2019

21. COMMITMENTS (Continued)

(b) Operating lease commitment — as lessee

At 30 June 2019, the amount represented short-term lease commitments.

At 31 December 2018, the total future minimum lease payments of the Group in respect of machinery, the Woodlands in which plantations are suited, the land located in Singapore and premises located in Hong Kong and PRC under non-cancellable operating leases are as follows:

| | Unaudited At 30 June 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|---|---|---|
| Within one year | 1,753 | 6,343 |
| In the second to fifth years, inclusive | – | 3,589 |
| After five years | – | 1,012 |
| | 1,753 | 10,944 |

In prior year, the lease payments in respect of machinery ran for an initial period of one to two years and the leases for the Woodlands ran for a period up to the expiry date in 2034. The lease payment in respect of the land located in Singapore ran for an initial period of fifty years and the lease payment for the premises located in Hong Kong and PRC ran for an initial period of two years and eight years, respectively. All rentals were fixed over the lease terms and did not include contingent rentals.

(c) Capital commitment

| | Unaudited At 30 June 2019 HK\$'000 | Audited At 31 December 2018 HK\$'000 |
|---|---|---|
| Acquisition of property, plant and equipment – contracted but not provided for | 2,746 | 2,608 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

22. RELATED PARTY TRANSACTION

(a) Significant related party transaction during the Period

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group had the following transaction with its related party during the periods:

| Related party relationship | Type of transaction | Unaudited Six months ended 30 June | |
|---|---|---------------------------------------|------------------|
| | | 2019 HK\$'000 | 2018 HK\$'000 |
| The immediate and ultimate holding company of the Company | Interest expense on shareholder's loans | 8,958 | – |

The terms and conditions of the shareholder's loans are set out in note 19.

The transactions were conducted in the normal course of business at prices and terms mutually agreed by the Company and the immediate and ultimate holding company of the Company.

(b) Key management personnel compensations

The remuneration of the Directors and other members of key management during the Period was as follows:

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2019 HK\$'000 | 2018 HK\$'000 |
| Directors and other members of key management: | | |
| Short-term employee benefits | 2,682 | 2,939 |
| Post employment benefits | 45 | 45 |
| | 2,727 | 2,984 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2019

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 2019 and 31 December 2018.

24. EVENT AFTER REPORTING DATE

Subsequent to the reporting date on 15 July 2019, a subsidiary of the Group (the "Subsidiary") entered into a deed of assignment with an independent third party (the "Purchaser") with the consideration of HK\$12,000,000, in relation to the disposal of its revalued land and building in Hong Kong, the disposal has completed on the same date accordingly. On 16 July 2019, the Subsidiary entered into a tenancy agreement with the Purchaser to lease back the land and building with initial lease terms of two years. In the opinion of the directors, the transfer of the revalued land and building subsequent to the reporting period shall be accounted for as a sale as the Group satisfied the performance obligation by transferring control of the asset.

Ample Smart Development Limited, an indirect wholly-owned subsidiary of the Company, had submitted a tender dated 22 August 2019 to the Government of the Hong Kong Special Administrative Region ("Hong Kong Government") to acquire a land located in Tuen Mun, New Territories, Hong Kong and had paid a refundable tender fee of HK\$25.0 million. On 28 August 2019, the Hong Kong Government announced that the tender submitted has been unsuccessful. Further details are set out in the Company's announcement in relation to business update dated 28 August 2019.

25. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for six months ended 30 June 2019 were approved and authorised for issue by the Board on 28 August 2019.

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 34 which comprise the condensed consolidated statement of financial position of Eagle Legend Asia Limited and its subsidiaries as of 30 June 2019 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 “condensed consolidated interim financial statements”). 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 2019

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 2019 (the “Period”) (2018: nil).

OVERALL GROUP RESULTS

For the Period, the Company and its subsidiaries (collectively, the “Group”) generated revenue of approximately HK\$91.4 million (six months ended 30 June 2018: approximately HK\$117.9 million) with a profit for the Period of approximately HK\$63.0 million (six months ended 30 June 2018: profit of approximately HK\$61.6 million) and profit for the Period attributable to owners of the Company of approximately HK\$10.7 million (six months ended 30 June 2018: loss of approximately HK\$2.7 million).

The decrease in the revenue for the Period was mainly attributable to the decrease of sales of exocarpium citri grandis.

The Group recorded revenue from sales of dried exocarpium citri grandis of approximately HK\$29.2 million (six months ended 30 June 2018: approximately HK\$65.7 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 95,000 fruit trees of exocarpium citri grandis on a total area of woodlands of 2,151.36 mu as at 30 June 2019, which is among one of the biggest cultivation business in its industry in Huazhou City.

Revenue from sales of machinery of approximately HK\$14.7 million was recorded for the Period, representing an increase of approximately 149% over the amount we achieved in the six months ended 30 June 2018. This was due to the increase in demands of both new and used cranes in Hong Kong and Singapore.

Our rental income increased to approximately HK\$24.8 million for the Period, representing an increase of approximately 2% as compared with approximately HK\$24.3 million for the six months ended 30 June 2018.

Sales of spare parts of approximately HK\$2.8 million was recorded for the Period, representing a decrease of approximately 26% over the amount recorded for the same period in 2018. The decrease was mainly due to the change in market demand of spare parts for the machinery. Service income was recorded at approximately HK\$19.9 million for the Period, approximately 9% higher than that of approximately HK\$18.2 million for the same period in 2018. 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 of approximately HK\$68.5 million for the Period, representing a decrease of approximately 1% over the amount incurred in the six months ended 30 June 2018.

Earnings per share for the Period was HK1.01 cents (six months ended 30 June 2018: loss per share HK0.26 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

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* by the local government of Huazhou City, the Group keeps reviewing and formulating proper strategies in its development, including the establishment of 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*; performing research and development in expanding its product line using *exocarpium citri grandis* as main ingredient; investing in purchasing equipments for the pre-processing of *exocarpium citri grandis*; and preparing the necessary 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 in Singapore, due to improved construction activities, demand of tower crane rental business has steadily been increased from first quarter of 2019. Based on our current secured projects, the uptrend of rental income for the second half of 2019 shall remain. The Group observed that rental rates for tower crane will continue be steady as similar volume of projects available in the market. However, the on-going uncertain economic situation is casting shadow over the up trending demand of tower crane market. While the Group exercise caution and monitor market situation, study on bringing in larger capacity tower crane is underway to renew our fleet.

Regarding the construction equipment business in Hong Kong, compared to the year ending 2018, the market appears to be stable in terms of both demand and rental rates during the period. It is however observed that the demand for higher lifting capacity tower cranes has increased remarkably. The introduction and promotion of Modular Integration Construction ("MiC") technologies contribute to this trend. By adopting the concept of "factory assembly followed by on-site installation", MiC helps to ease some of the current challenges faced by the construction industry.

MiC is one of the identified supporting technologies under the Construction Innovation and Technology Fund ("CITF") scheme. The CITF helps fund the industry for those stakeholders who wish to employ consultants for a MiC project, or to purchase machines and components in relation to MiC. In view of the availability of this subsidy, it is expected that construction companies may be more eager to purchase their own higher lifting capacity tower cranes. This would translate into an opportunity to boost our tower crane trading activities in the coming years.

The largest developer in Hong Kong – Hong Kong Housing Authorities have updated its relevant guidelines in February 2019 inclusive in which is the need to install a secondary braking system in all tower cranes used in its job sites. Our relevant fleet will therefore need to be retrofitted and upgraded accordingly. To accommodate this, the Group will continue to renew our fleet including replacing of our aged tower cranes with new ones and to retrofit our relevant fleet member with the secondary braking system.

Demand for passenger hoist appears to have increased significantly over the period. We have recorded a satisfactory utilization or commitment rate of our passenger hoist rental business. We will continue to invest in new passenger hoists in the coming years to meet the increasing demand, as well as setting up our internal service team to further raise our margin and strengthen our service commitment to customers.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(Continued)*

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

SUBSEQUENT EVENT AFTER REPORTING PERIOD

Subsequent to the reporting date on 15 July 2019, a subsidiary of the Group (the “Subsidiary”) entered into a deed of assignment with an independent third party (the “Purchaser”) with the consideration of HK\$12,000,000, in relation to the disposal of its revalued land and building in Hong Kong, the disposal has completed on the same date accordingly. On 16 July 2019, the Subsidiary entered into a tenancy agreement with the Purchaser to lease back the land and building with initial lease terms of two years. In the opinion of the directors, the transfer of the revalued land and building subsequent to the reporting period shall be accounted for as a sale as the Group satisfied the performance obligation by transferring control of the asset.

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LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had cash and cash equivalents of approximately HK\$95.3 million (At 31 December 2018: approximately HK\$120.5 million).

As at 30 June 2019, the Group’s total assets amounted to approximately HK\$888.5 million, representing an increase of approximately HK\$70.0 million over that of 31 December 2018.

The Group’s gearing ratio as at 30 June 2019 was 0.5 (At 31 December 2018: 0.5), which was calculated on the basis by dividing total debts (sum of shareholder’s loans, bank borrowing and lease liabilities) by the total equity as at the respective dates.

During the Period and as at 30 June 2019, 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 2019, the Group had net current assets of approximately HK\$56.7 million (At 31 December 2018: net current liabilities of approximately HK\$18.1 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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

The debts (including shareholder's loans, bank borrowing and lease liabilities) of the Group were denominated in HK\$ and S\$, of which approximately HK\$212.9 million is repayable within one year after 30 June 2019 (At 31 December 2018: approximately HK\$208.7 million) and approximately HK\$52.8 million is repayable more than one year (At 31 December 2018: approximately HK\$55.1 million).

CAPITAL STRUCTURE

As at 30 June 2019, 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 resolutions of the sole member and the sole director of Manta Services Management Limited ("Manta-Services") both dated 20 March 2019, it was resolved that (i) the business of Manta-Services was ceased with effect from 31 December 2018; and (ii) an application be made to the Registrar of Companies for deregistration of Manta-Services. As at the date of this report, the deregistration of Manta-Services is still in process.

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 2019, the Group's banking facilities were secured by a building of the Group, carried at cost, with an aggregate carrying amount of approximately HK\$32.8 million (At 31 December 2018: approximately HK\$33.4 million).

As at 30 June 2019, the Group, and the Company did not have any significant contingent liabilities (At 31 December 2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 120 (At 31 December 2018: 118) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

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 2019, 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

A. Long positions in ordinary Shares and underlying Shares

| Name of Director | Number of Shares held | | | Total | Approximate percentage of issued share capital of the Company (Note 2) |
|--------------------------|-----------------------|-------------------------|--------------------|-------------|---|
| | Personal interest | Corporate interest | Equity derivatives | | |
| Mr. Zeng Li (“Mr. Zeng”) | – | 324,400,000 (Note 1) | – | 324,400,000 | 30.60% |

Notes:

- 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.
- The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at 30 June 2019.

B. Long positions in ordinary Shares of the associated corporation of the Company

| Name of Director | Name of the associated corporation | Nature of interest | Number of share(s) held | Percentage of issued share capital of the associated corporation |
|------------------|------------------------------------|--------------------|-------------------------|--|
| Mr. Zeng | Harbour Luck | Beneficial owner | 1 | 100% |

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2019, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons (other than the Directors and the chief executives of the Company) or corporations in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

| Name | Nature of interests/ Holding capacity | Number of Shares | Approximate percentage of issued share capital of the Company (Note 2) |
|--|--|-------------------------|--|
| Substantial Shareholders: | | | |
| Harbour Luck | Beneficial owner | 324,400,000 | 30.60% |
| Ms. Chen Xiong Yi ("Ms. Chen") | Interest of spouse | 324,400,000 (Note 1) | 30.60% |
| Excel Range Investments Limited ("Excel Range") | Beneficial owner | 275,600,000 | 26.00% |
| Ms. Kwok Hiu Ting | Interest of controlled corporation | 275,600,000 (Note 3) | 26.00% |
| Ms. Kwok Hiu Yan | Interest of controlled corporation | 275,600,000 (Note 3) | 26.00% |
| Ms. Kwok Ho Lai | Interest of controlled corporation | 275,600,000 (Note 3) | 26.00% |
| Other Person: | | | |
| Mr. He Xiao Yang | Beneficial owner | 100,000,000 | 9.43% |

Notes:

- Ms. Chen is deemed to be interested through the interest of her spouse, Mr. Zeng (as disclosed above).
- The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at 30 June 2019.
- Ms. Kwok Hiu Ting, Ms. Kwok Hiu Yan and Ms. Kwok Ho Lai are deemed to be interested through the interest of controlled corporation, Excel Range as each of them hold one-third of the issued share capital of Excel Range.

Save as disclosed above, as at 30 June 2019, there were no other persons who (other than the Directors or the chief executives of the Company) or corporations which had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 of the Company (the “Shareholders”) in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled and lapsed in accordance with the such schemes or exercised options) will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (ii) No share option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue with the substantial shareholders of the Company, independent non-executive Directors and their respective associates being subject to 0.1% of the 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.
- (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.

DISCLOSURE OF ADDITIONAL INFORMATION

SHARE OPTION SCHEME *(Continued)*

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

As at 30 June 2019 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 2019 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, 22 March 2017 and 24 December 2018.

As at 30 June 2019, 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 auditing, risk management, internal controls and financial reporting matters, including the review of the unaudited condensed consolidated interim financial statements for the Period under review, with the management and 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.

CHANGES OF INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The changes in the information of Directors and senior management of the Company since the date of the Company’s 2018 annual report are set out below:

1. Mr. Chan Ka Lun has tendered his resignation as an executive Director with effect from 1 July 2019.

DISCLOSURE OF ADDITIONAL INFORMATION

CHANGES OF INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

2. Mr. Guo Peineng has been appointed as an executive Director and the deputy chairman of the Board with effect from 8 July 2019.
3. Mr. Chen Huajie has been appointed as an executive Director with effect from 8 July 2019.

Apart from above, there is no change in information of the Directors and senior management of the Company which shall be disclosed pursuant to Rule 13.51B of the Listing Rules.

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.

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 2019

As at the date of this report, the Board comprises Mr. Zeng Li (Chairman), Mr. Guo Peineng (Deputy Chairman), Mr. Winerthan Chiu and Mr. Chen Huajie 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.