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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "Board") of directors (the "Directors") of Eagle Legend Asia Limited (the "Company") announces the unaudited condensed consolidated statement of comprehensive income of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Period") and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 as follows:

### 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 | | **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) |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**
*For the six months ended 30 June 2018*

| | | Unaudited | |
|---|---|---|---|
| | | Six months ended 30 June | |
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | | (re-presented) |
| **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 |
| **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 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**
*For the six months ended 30 June 2018*

| | | Unaudited | |
|---|---|---|---|
| | | Six months ended 30 June | |
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | | (re-presented) |
| **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 | | **5,771** | 5,766 |
| Inventories and consumables | | **108,095** | 45,428 |
| Trade receivables | *14* | **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 | *15* | **29,581** | 30,334 |
| Receipt in advance, accruals and other payables | | **97,456** | 102,833 |
| Contract liabilities | | **3,696** | – |
| Bank borrowing | | **2,088** | 2,108 |
| Bonds payable | *16* | **100,000** | 77,803 |
| Finance lease payables | | **28,928** | 34,143 |
| Other loans payable | | **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 (Continued)**

*As at 30 June 2018*

| | **Unaudited At 30 June 2018** *HK$'000* | Audited At 31 December 2017 *HK$'000* |
|---|---|---|
| **Non-current liabilities** | | |
| Bank borrowing | **14,813** | 16,165 |
| Finance lease payables | **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 |

## NOTES

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 Group is 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.

The condensed consolidated interim financial statements for 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 the 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.

The condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. The 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"). The 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.

**Going concern consideration**

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

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

**Going concern consideration (Continued)**

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 16. 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 18(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, the condensed consolidated interim financial statements have been prepared on a going concern basis.

## 2. ACCOUNTING POLICIES

The 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

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.

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

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 the 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.

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 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.

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

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

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

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 |

***(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 recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL 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.

## 3. CHANGES IN HKFRSs (Continued)

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

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

*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-months ECLs. The 12-months 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 ECL, 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 ECL is the maximum contractual period over which the Group is exposed to credit risk.

*Presentation of ECLs*

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

*Impact of the ECL 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.

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

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

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

*Impact of the ECL model (Continued)*

(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 mean 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.

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".

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

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

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. The Group has adopted the modified retrospective approach for transition to HKFRS 15. Under the 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.

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.

## 3. CHANGES IN HKFRSs (Continued)

### B. HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) (Continued)

#### *(iii) Presentation and disclosure requirements*

*Disaggregation of revenue*

As required for the 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.

## 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this 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.

## 5. SEGMENT INFORMATION (Continued)

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.

(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 | Singapore | Vietnam | Macau | PRC | Inter segment elimination | Total |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'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 | | | | | | | (6,866) |
| **Profit for the period** | | | | | | | 61,551 |

**Unaudited**
**At 30 June 2018**

| | Hong Kong | Singapore | Vietnam | Macau | PRC | Inter segment elimination | Total |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *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<br>Six months ended 30 June<br>**2018**<br>***HK$'000*** | <br><br>2017<br>*HK$'000*<br>(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 |

### (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.

## 9. PROFIT BEFORE INCOME TAX (Continued)

### (b) Discontinued operation (Continued)

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.

## 10. INCOME TAX CREDIT (Continued)

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) |

## 12. LOSS PER SHARE (Continued)

### (iii) Discontinued operation

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'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. TRADE RECEIVABLES

| | **Unaudited** | Audited |
|---|---|---|
| | **At 30 June** | At 31 December |
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'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** | Audited |
|---|---|---|
| | **At 30 June** | At 31 December |
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'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 |

## 15. 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 |

## 16. 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 payables 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 17, 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 17).

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.

## 17. 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, the 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 16 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 announcement, 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 18(b) and internal financial resources of the Group.

## 18. 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 17.

(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.

## INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend in respect of the Period (2017: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Group Results

For the Period, 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 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 廣東大合生物科技股份有限公司 (for identification purpose, in English, Guangdong Dahe Biological Technologies Limited), 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 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 as set out in note 17.

(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 manufacturing and sales of proprietary Chinese medicines and health products, and 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 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. 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 announcement, 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 announcement, 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 Limited ("Hover Ascend"), a subsidiary of the Group.

Upon completion of reorganisation and immediately before completion, as set out in the Agreement, the 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 16 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 announcement, 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 18(b) and internal financial resources of the Group.

### Material Acquisition or Disposal of Subsidiary

Saved as disclosed elsewhere in this announcement, 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 HK$100 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.

## 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 HKICPA.

## 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct 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.

## PUBLICATION OF 2018 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.elasialtd.com). The interim report of the Company for the Period, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to the shareholders of the Company and published on the same websites in due course.

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

Hong Kong, 28 August 2018

*As at the date of this announcement, 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.*