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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF AND THE SHAREHOLDER'S LOAN DUE BY ALPHA CHANCE LIMITED

Financial Adviser to Eagle Legend Asia Limited



Optima Capital Limited

THE AGREEMENT

After trading hours of the Stock Exchange on 1 August 2017, the Company and the Purchaser entered into the Agreement, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Share (representing the entire issued share capital of Alpha Chance) and the Sale Loan at an aggregate cash Consideration of HK\$40 million. The Alpha Chance Group is principally engaged in the manufacturing and sale of proprietary Chinese medicines and health products in the PRC.

Upon Completion, the Group will cease to hold any interest in Alpha Chance and Alpha Chance will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Agreement and accordingly no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the resolution(s) in respect of the Agreement and the transactions contemplated thereunder. Harbour Luck, being the controlling shareholder of the Company holding 600,000,000 Shares (representing 62.5% of the issued share capital of the Company as at the date of the Agreement), has given the Written Approval for the Agreement and the transactions contemplated thereunder, and such Written Approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, details of the Disposal and other information as required under the Listing Rules is expected to be despatched to the Shareholders for information only on or before 22 August 2017.

The Board is pleased to announce that after trading hours of the Stock Exchange on 1 August 2017, the Company and the Purchaser entered into the Agreement, pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase, the Sale Share (representing the entire issued share capital of Alpha Chance) and the Sale Loan at an aggregate cash Consideration of HK\$40 million. The principal terms of the Agreement are set out below.

THE AGREEMENT

Date

1 August 2017

Parties

- (i) The Company, being the vendor; and
- (ii) Faith Charm International Investment Limited, being the purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of the Purchaser and its ultimate beneficial owner is a third party independent of the Company and its connected persons (as defined in the Listing Rules); and (ii) the Purchaser is principally engaged in investment holding.

Assets to be disposed of

Pursuant to the Agreement, the Company has agreed to sell and the Purchaser has agreed to purchase the Sale Share and the Sale Loan. The Sale Share, representing the entire issued share capital of Alpha Chance, will be sold free from all encumbrances together with all rights attached thereto from Completion, including any dividend or other distribution declared, made or paid after the date of Completion. The Sale Loan, representing all debts, liabilities or obligations owed or incurred by Alpha Chance to the Company as at Completion, will be sold free from all encumbrances thereto from Completion. As at the date of the Agreement, the Sale Loan amounted to approximately HK\$38.6 million. Details of the Alpha Chance Group are set out in the section headed “Information of the Alpha Chance Group” below.

Consideration

The Consideration of HK\$40 million shall be payable by the Purchaser to the Company in cash in the following manner:

- (i) as to HK\$4 million as a deposit (the “**Deposit**”) payable upon signing of the Agreement; and
- (ii) as to the remaining balance of HK\$36 million payable upon Completion.

The Consideration was determined after arm’s length negotiations between the Company and the Purchaser with reference to the financial position of the Alpha Chance Group and the amount of the Sale Loan and having taken into account the established brand name of its products.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the passing of the necessary resolution(s) by the Shareholders at an extraordinary general meeting of the Company to be convened and held (or the obtaining of written approval from a Shareholder or a closely allied group of Shareholders holding more than 50% of the issued share capital of the Company accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules) to approve the Agreement and the transactions contemplated thereunder;
- (ii) there being no situations, facts or circumstances which constitute or may constitute any breach of the representations, warranties and undertakings given by the Company under the Agreement;
- (iii) all necessary consents and approvals in respect of the sale and purchase of the Sale Share and the Sale Loan under the Agreement having been obtained by the Company in accordance with applicable laws and regulations;

- (iv) all necessary consents and approvals in respect of the sale and purchase of the Sale Share and the Sale Loan under the Agreement having been obtained by the Purchaser in accordance with applicable laws and regulations;
- (v) the representations, warranties and undertakings given by the Company under the Agreement remaining true and accurate and not misleading; and
- (vi) there being no material adverse change in the financial position, businesses, assets or operating results of the Alpha Chance Group since the date of the Agreement.

The Purchaser may in its absolute discretion at any time waive the conditions set out in (ii), (v) and (vi) above by notice in writing to the Company. Other conditions cannot be waived by any parties to the Agreement.

The Written Approval in respect of the condition (i) above has been received from Harbour Luck, being the controlling shareholder of the Company holding 600,000,000 Shares (representing 62.5% of the issued share capital of the Company as at the date of the Agreement).

As at the date of the Agreement, all the conditions above have been fulfilled.

Completion

Completion shall take place on the tenth Business Day after all the conditions precedent under the Agreement have been fulfilled or waived (as the case may be) (or such later date as the parties to the Agreement may agree) and is expected to take place on 15 August 2017.

If all of the conditions precedent under the Agreement are not fulfilled (or waived) on or before the Long Stop Date, or if all of them are fulfilled (or waived) on or before the Long Stop Date but Completion does not take place in accordance with the terms and conditions of the Agreement, the Agreement shall lapse and be of no further effect and the Company shall forthwith refund the Deposit to the Purchaser. Neither party shall take any action to claim for damages or to enforce specific performance or have any other rights or remedies provided that if Completion does not take place due to the sole default of the Purchaser, the Company shall be entitled to forfeit the Deposit.

Upon Completion, the Company will cease to hold any interest in Alpha Chance and Alpha Chance will cease to be a subsidiary of the Company. The accounts of the Alpha Chance Group will no longer be consolidated in the financial statements of the Group.

INFORMATION OF THE ALPHA CHANCE GROUP

The Alpha Chance Group comprises Alpha Chance, Forever Treasure and Jiangxi Newomen.

Alpha Chance is an investment holding company incorporated in the British Virgin Islands with limited liability. It is wholly owned by the Company as at the date of the Agreement. Alpha Chance in turn holds 100% interest in Forever Treasure, an investment holding company incorporated in Hong Kong with limited liability. As at the date of the Agreement, Alpha Chance and Forever Treasure did not have any material assets and liabilities save for their respective investment in their direct subsidiary and the amount due to the Company.

Jiangxi Newwomen was incorporated in the PRC with limited liability and is wholly owned by Forever Treasure. It is principally engaged in the manufacturing and sale of proprietary Chinese medicines and health products in the PRC with its manufacturing facilities located at Jiangxi, the PRC. Jiangxi Newwomen currently holds 48 trademarks registered in the PRC and has registered 38 drug licences with relevant PRC governmental authorities for its products, including the brand name of “NEWOMEN” (半邊天) for its proprietary gynecological and proprietary Chinese medicines such as 阿膠益壽口服液, 烏雞白鳳丸, 複方烏雞口服液, 乳寧丸 and 十二烏雞白鳳丸.

Set out below are certain unaudited consolidated financial information of the Alpha Chance Group as extracted from the audited consolidated financial statements of the Group for each of the two years ended 31 December 2015 and 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2015	2016
	<i>approximately</i>	<i>approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	336	8,849
Loss after taxation	371	7,888

The increase in unaudited consolidated loss of the Alpha Chance Group for the year ended 31 December 2016 as compared to the previous year was mainly attributable to the substantial increase in costs of ingredients used in the manufacturing of proprietary Chinese medicines and health products.

The unaudited consolidated net liabilities of the Alpha Chance Group as at 31 December 2016 amounted to approximately HK\$4.9 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) the trading of construction machinery and spare parts, leasing of construction machinery under operating leases, and provision of repair and maintenance services in respect of construction machinery; (ii) the cultivation, research, processing and sale of exocarpium citri grandis and its seedlings and manufacturing of related products; and (iii) the manufacturing and sale of proprietary Chinese medicines and health products.

Having considered the increasing costs of ingredients used in the manufacturing of the proprietary Chinese medicines and health products which has narrowed the profit margin and led to the loss making position of the Alpha Chance Group in recent years, the Directors consider that the Disposal represents an opportunity for the Company to realise its investment in the Alpha Chance Group and deploy its resources into other businesses which may generate better return to the Group. The net proceeds from the Disposal will also enhance the cashflow position of the Group.

It is expected that the Group will record a gain of approximately HK\$0.3 million as a result of the Disposal, which is calculated based on (i) the Consideration, net of transaction costs and expenses directly attributable to the Disposal, of approximately HK\$39.3 million; (ii) the unaudited consolidated net liabilities of the Alpha Chance Group of approximately HK\$4.9 million as at 31 December 2016; (iii) the Sale Loan of approximately HK\$38.6 million as at the date of the Agreement; and (iv) the exchange reserve of approximately HK\$5.3 million as at 31 December 2016 in relation to the Alpha Chance Group to be transferred to profit and loss upon Completion. The abovementioned expected gain on the Disposal is for illustrative purpose only and is subject to the financial position of the Alpha Chance Group at Completion.

The net proceeds from the Disposal, after deducting estimated transaction costs and expenses directly attributable thereto, of approximately HK\$39.3 million are intended to be used for general working capital of the Group and fulfillment of any financial obligations of the Group as and when they fall due.

In view of the above, the Directors consider the terms of the Agreement (including the Consideration) are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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A circular containing, among other things, details of the Disposal and other information as required under the Listing Rules is expected to be despatched to the Shareholders for information only on or before 22 August 2017.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 1 August 2017 entered into between the Company and the Purchaser in relation to the Disposal
“Alpha Chance”	Alpha Chance Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of the Agreement
“Alpha Chance Group”	Alpha Chance and its subsidiaries (being Forever Treasure and Jiangxi Newomen)
“Board”	the board of Directors
“Company”	Eagle Legend Asia Limited 鵬程亞洲有限公司, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 936)
“Completion”	completion of the Disposal in accordance with the terms of the Agreement
“Consideration”	HK\$40 million, being the consideration for the Disposal
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Share and the Sale Loan by the Company to the Purchaser in accordance with the terms of the Agreement
“Forever Treasure”	Forever Treasure Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Alpha Chance
“Group”	the Company and its subsidiaries
“Harbour Luck”	Harbour Luck Investments Limited, a company incorporated in Hong Kong and a controlling shareholder of the Company wholly and beneficially owned by Mr. Zeng Li, the Chairman of the Company and an executive Director

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jiangxi Newomen”	江西半邊天藥業有限公司 (Jiangxi Newomen Pharmaceutical Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Forever Treasure
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2017 (or such other date as the parties to the Agreement may agree in writing)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Faith Charm International Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Loan”	all debts, liabilities or obligations owed or incurred by Alpha Chance to the Company on or at any time prior to Completion, whether actual or contingent and irrespective of whether the same is due and payable on Completion
“Sale Share”	one issued share of US\$1.00 in the share capital of Alpha Chance, representing the entire issued share capital of Alpha Chance
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Written Approval”	the written approval dated 1 August 2017 issued by Harbour Luck to the Company giving its written approval for the Agreement and the transactions contemplated thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

* *The English translation of certain Chinese names or words in this announcement are included for reference purpose only and should not be regarded as the official English translation of such Chinese names or words.*

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

Hong Kong, 1 August 2017

As at the date of this announcement, the Board comprises Mr. Zeng Li, 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.