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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)**

### **CONNECTED TRANSACTION IN RELATION TO**

### **SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE BY WAY OF SET OFF AGAINST THE OUTSTANDING PROMISSORY NOTE**

#### **THE AGREEMENT**

After trading hours of the Stock Exchange on 11 October 2017, the Company and the Subscriber entered into the Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 100,000,000 Subscription Shares at the Subscription Price of HK\$1.10 per Subscription Share. The total consideration for the Subscription of HK\$110,000,000 payable by the Subscriber at Completion shall be set off against the total outstanding principal amount of the Promissory Note of HK\$110,000,000 owed by the Company to the Subscriber on a dollar-for-dollar basis.

The 100,000,000 Subscription Shares represent (i) approximately 10.4% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.4% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM.

## **LISTING RULES IMPLICATIONS**

The Subscriber is a connected person of the Company by virtue of it being a substantial shareholder holding a 49% equity interest in Best Earnest (an indirect 51%-owned subsidiary of the Company) and a director of group companies of Best Earnest. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wan Tze Fan Terence, Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris, has been established to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares. Goldin Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Agreement; (ii) the recommendation from the Independent Board Committee; (iii) the advice from Goldin Financial Limited to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 1 November 2017.

The Board is pleased to announce that after trading hours of the Stock Exchange on 11 October 2017, the Company and the Subscriber entered into the Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 100,000,000 Subscription Shares at the Subscription Price of HK\$1.10 per Subscription Share. The total consideration for the Subscription of HK\$110,000,000 payable by the Subscriber at Completion shall be set off against the total outstanding principal amount of the Promissory Note of HK\$110,000,000 owed by the Company to the Subscriber on a dollar-for-dollar basis. The principal terms of the Agreement are set out below.

## **THE AGREEMENT**

### **Date**

11 October 2017

### **Parties**

- (i) The Company, being the issuer; and
- (ii) Mr. He Xiaoyang, being the Subscriber.

As at the date of the Agreement, the Subscriber is a substantial shareholder holding a 49% equity interest in Best Earnest (an indirect 51%-owned subsidiary of the Company) and a director of group companies of Best Earnest, and is therefore a connected person of the Company.

### **Subject matter**

Pursuant to the Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 100,000,000 Subscription Shares at the Subscription Price of HK\$1.10 per Subscription Share.

As at the date of this announcement, the Subscriber is the holder of the Promissory Note in the total outstanding principal amount of HK\$110,000,000, which is unsecured, interest-free and shall be repayable on 23 December 2018. The total consideration for the Subscription of HK\$110,000,000 payable by the Subscriber at Completion shall be set off against such total outstanding principal amount of the Promissory Note on a dollar-for-dollar basis.

### **Subscription Price**

The Subscription Price of HK\$1.10 per Subscription Share represented:

- (i) a premium of approximately 7.8% over the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day (being the date of this announcement) of HK\$1.02 per Share;
- (ii) a premium of approximately 0.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK\$1.09 per Share;
- (iii) a discount of approximately 1.8% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day of approximately HK\$1.12 per Share;
- (iv) a premium of approximately 1.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$1.08 per Share; and
- (v) a premium of approximately 323.1% over the unaudited consolidated equity attributable to the Shareholders of approximately HK\$0.26 per Share as at 30 June 2017 (based on the unaudited consolidated equity attributable to the Shareholders of approximately HK\$251,319,000 as at 30 June 2017 as disclosed in the interim report of the Company for the six months ended 30 June 2017 and 960,000,000 Shares then in issue).

The Subscription Price of HK\$1.10 per Subscription Share was determined after arm's length negotiations between the Company and the Subscriber taking into account, among other things, the prevailing market prices of the Shares.

Having taken into account the estimated expenses incidental to the Subscription of approximately HK\$600,000, the estimated net Subscription Price per Subscription Share is approximately HK\$1.09.

## **Subscription Shares**

The 100,000,000 Subscription Shares represent (i) approximately 10.4% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.4% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$1,000,000.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the EGM. The Company will apply to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares, when allotted and issued as fully paid or credited as fully paid, shall rank *pari passu* in all respects among themselves and with the Shares then in issue.

## **Conditions precedent**

Completion is conditional upon the satisfaction of the following conditions:

- (i) the Stock Exchange granting the listing of and permission to deal in the Subscription Shares;
- (ii) all necessary consents and approvals required to be obtained by the parties to the Agreement in respect of the Agreement and the transactions contemplated thereunder, including but not limited to the Subscription, having been obtained; and
- (iii) the passing of necessary resolution(s) at the EGM to be held and convened by the Shareholders who are entitled to vote and not required to abstain from voting under the Listing Rules and other applicable laws and regulations to approve the Agreement and the transactions contemplated hereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares.

In the event that the above conditions are not fulfilled by 31 December 2017 (or such other date as may be agreed by the parties to the Agreement), all rights, obligations and liabilities of the parties to the Agreement shall cease and determine and no party to the Agreement shall have any claim against the other save for any antecedent breaches of the Agreement.

## **Completion**

Completion shall take place on the second Business Day (or such other date and time as may be agreed by the parties) after the satisfaction of all the abovementioned conditions precedent.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issuance of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of this announcement and up to Completion):

Name of the Shareholders	(i) As at the date of this announcement		(ii) Immediately after the allotment and issuance of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Harbour Luck Investments Limited ( <i>Note</i> )	600,000,000	62.5	600,000,000	56.6
The Subscriber	—	—	100,000,000	9.4
Public Shareholders	<u>360,000,000</u>	<u>37.5</u>	<u>360,000,000</u>	<u>34.0</u>
Total	<u>960,000,000</u>	<u>100.0</u>	<u>1,060,000,000</u>	<u>100.0</u>

*Note:* Harbour Luck Investments Limited is wholly and beneficially owned by Mr. Zeng Li, an executive Director.

## REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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; and (ii) the cultivation, research, processing and sale of *exocarpium citri grandis* and its seedlings.

Based on the interim report of the Company for the six months ended 30 June 2017, the unaudited consolidated net current liabilities of the Company amounted to approximately HK\$41.1 million as at 30 June 2017, which included the carrying amounts of bonds payable (after amortisation adjustments of prepaid bonds interests and bonds renewal and arrangement fee incurred) and accrued bonds interests of approximately HK\$58.5 million and HK\$70.5 million respectively. The total outstanding principal amount of the aforesaid bonds of HK\$100 million and accrued bonds interests will both fall due in June 2018. Upon Completion, the total outstanding principal amount of the Promissory Note of HK\$110,000,000 due in December 2018 shall be capitalised into equity capital of the Company. The Subscription will alleviate the repayment pressure of the Group while retaining the cash resources of the Group for other business developments and fulfillment of other financial obligations. It also strengthens the financial position of the Group by reducing the gearing ratio and broadening the capital base.

The Directors considered that the Subscription is a more viable option for the Group to settle the Promissory Note, as the Group would not incur additional interest or be required to commit additional pledge of assets if the Group were to obtain borrowings to finance repayment of the Promissory Note, and the Subscription is less costly and more efficient than pre-emptive issues such as rights issue and open offer.

In view of the above, the Directors (excluding the independent non-executive Directors whose view will be expressed after taking into account the advice of the independent financial adviser) consider the terms of the Agreement are fair and reasonable and on normal commercial terms and the Subscription is in the interests of the Company and the Shareholders as a whole.

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS**

The Company did not conduct any equity fund raising activities in the past 12 months immediately before the date of this announcement.

## **LISTING RULES IMPLICATIONS**

The Subscriber is a connected person of the Company by virtue of it being a substantial shareholder holding a 49% equity interest in Best Earnest (an indirect 51%-owned subsidiary of the Company) and a director of group companies of Best Earnest. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The EGM will be convened and held to consider and, if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares. The Subscriber and his associates who are Shareholders will be required to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder at the EGM. As at the date of this announcement, the Subscriber and his associates are not interested in any Shares. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, there are no Shareholders who have material interest in the Subscription and are required to abstain from voting on the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wan Tze Fan Terence, Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris, has been established to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares. Goldin Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Agreement; (ii) the recommendation from the Independent Board Committee; (iii) the advice from Goldin Financial Limited to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 1 November 2017.

## DEFINITIONS

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

“Agreement”	the conditional subscription agreement dated 11 October 2017 entered into between the Company and the Subscriber in relation to the Subscription
“associates”	has the meaning ascribed thereto under the Listing Rules
“Best Earnest”	Best Earnest Investments Limited 佳誠投資有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirect 51%-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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 Subscription in accordance with the terms of the Agreement
“connected person”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder, including the Specific Mandate for the allotment and issue of the Subscription Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wan Tze Fan Terence, Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris, established to advise the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Subscriber, his associates and other Shareholders who have a material interest in the Subscription
“Last Trading Day”	11 October 2017, being the date of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Promissory Note”	the unsecured and interest-free promissory note issued by the Company in the total outstanding principal amount of HK\$110,000,000, which shall be repayable on 23 December 2018
“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)
“Specific Mandate”	a specific mandate to allot and issue the Subscription Shares to be sought for approval from the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	何曉陽先生 (Mr. He Xiaoyang), the holder of the Promissory Note, a substantial shareholder holding a 49% equity interest in Best Earnest and a director of group companies of Best Earnest
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Agreement
“Subscription Price”	the subscription price of HK\$1.10 per Subscription Share
“Subscription Share(s)”	the new Share(s) to be allotted and issued by the Company to the Subscriber pursuant to the Agreement



“substantial shareholder” has the meaning ascribed thereto under the Listing Rules  
“HK\$” Hong Kong dollars, the lawful currency of Hong Kong  
“%” per cent.

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

Hong Kong, 11 October 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.*