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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)

ENTERING INTO AND SUBSEQUENT LAPSE OF AN AGREEMENT IN RELATION TO THE DISPOSAL OF HOVER ASCEND LIMITED AND RESUMPTION OF TRADING

THE AGREEMENT

After trading hours of the Stock Exchange on 29 June 2018, the Vendor (a wholly-owned subsidiary of the Company) and the Purchasers entered into the Agreement, pursuant to which the Vendor had conditionally agreed to sell, and the Purchasers had conditionally agreed to purchase, the Sale Ordinary Shares and the Sale CPS at an aggregate Consideration of approximately HK\$170.5 million. The Consideration was to be satisfied by the Purchasers by setting off against the outstanding principal amount together with accrued interest of the Bonds which were held by the Purchasers.

LAPSE OF THE AGREEMENT AND REPAYMENT OF THE BONDS

As the conditions precedent for Completion had not been fulfilled or waived (if applicable) on or before 4:00 p.m. on 31 August 2018, being the latest time for the fulfillment or waiver (if applicable) of the conditions precedent according to the Agreement, the Agreement had lapsed on 31 August 2018 and the Disposal will not be proceeded.

On the even date, the outstanding principal amount of the Bonds together with interest accrued up to the date of repayment, which amounted to approximately HK\$175.6 million in aggregate, has been fully repaid by the Group. The repayment was financed by the internal resources of the Group and a shareholder's loan granted by Harbour Luck Investments Limited, the controlling Shareholder holding 600,000,000 Shares (representing approximately 56.60% of the issued share capital of the Company as at the date of this announcement). The aforesaid shareholder's loan was granted to the Company on normal commercial terms or better to the Company and was not secured by any assets of the Group, and constituted a fully exempt connected transaction of the Company pursuant to Rule 14A.90 of the Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 3 July 2018 at the request of the Company pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 September 2018.

The Board wishes to inform the Shareholders that after trading hours of the Stock Exchange on 29 June 2018, the Vendor (a wholly-owned subsidiary of the Company) and the Purchasers entered into the Agreement, pursuant to which the Vendor had conditionally agreed to sell, and the Purchasers had conditionally agreed to purchase, the Sale Ordinary Shares and the Sale CPS at an aggregate Consideration of approximately HK\$170.5 million. The Consideration was to be satisfied by the Purchasers by setting off against the outstanding principal amount together with accrued interest of the Bonds which were held by the Purchasers. However, as the conditions precedent for Completion had not been fulfilled or waived (if applicable) on or before 4:00 p.m. on 31 August 2018, being the latest time for the fulfillment or waiver (if applicable) of the conditions precedent according to the Agreement, the Agreement had lapsed on 31 August 2018 and the Disposal will not be proceeded.

On the even date, the outstanding principal amount of the Bonds together with interest accrued up to the date of repayment, which amounted to approximately HK\$175.6 million in aggregate, has been fully repaid by the Group. The repayment was financed by the internal resources of the Group and a shareholder's loan granted by Harbour Luck Investments Limited, the controlling Shareholder holding 600,000,000 Shares (representing approximately 56.60% of the issued share capital of the Company as at the date of this announcement). The aforesaid shareholder's loan was granted to the Company on normal commercial terms or better to the Company and was not secured by any assets of the Group, and constituted a fully exempt connected transaction of the Company pursuant to Rule 14A.90 of the Listing Rules.

The principal terms of the Agreement are set out below.

THE AGREEMENT

Date

29 June 2018

Parties

- (i) Chief Key Limited, being a wholly-owned subsidiary of the Company and the Vendor;
- (ii) Jumboview, being one of the Purchasers; and
- (iii) Long Set, being one of the Purchasers.

Jumboview and Long Set were the holders of Bond A and Bond B respectively. Bond A with a principal amount of HK\$52.0 million was issued by the Vendor to Jumboview on 11 June 2012 and fell due on 30 June 2018. The outstanding principal amount of Bond A together with interest accrued thereon up to 30 June 2018 amounted to approximately HK\$88.7 million. Bond B with a principal amount of HK\$48.0 million was issued by the Vendor to Long Set on 11 June 2012 and fell due on 30 June 2018. The outstanding principal amount of Bond B together with interest accrued thereon up to 30 June 2018 amounted to approximately HK\$81.8 million. The Bonds were secured by share mortgages against the Vendor's equity interests in Chief Strategy and Gold Lake.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Jumboview and Long Set are principally engaged in investment holding; and (ii) save as disclosed above, each of the Purchasers and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Reorganisation

As at the date of the Agreement, the Vendor held all the issued ordinary shares of the Target Company, Chief Strategy and Gold Lake.

The Target Company is a special purpose vehicle set up for the purpose of the Disposal and does not have any material asset or operation.

Chief Strategy is an investment holding company which, through its operating subsidiaries, operates the construction machinery business of the Group in Hong Kong and Macau, including trading of construction machinery and spare parts, leasing of construction machinery and providing repair and maintenance services in respect of construction machinery. As at 31 March 2018, the unaudited consolidated net assets attributable to the owners of Chief Strategy amounted to approximately HK\$65.5 million. The unaudited consolidated loss before taxation of Chief Strategy for each of the two years ended 31 December 2016 and 2017 were approximately HK\$7.8 million and HK\$6.0 million respectively and the unaudited consolidated loss after taxation of Chief Strategy for each of the two years ended 31 December 2016 and 2017 were approximately HK\$7.1 million and HK\$5.8 million respectively.

Gold Lake is an investment holding company which, through its operating subsidiary, operates the construction machinery business of the Group in Singapore, including trading and leasing of construction machinery and provision of repair and maintenance services in respect of construction machinery. As at 31 March 2018, the unaudited consolidated net assets attributable to the owners of Gold Lake amounted to approximately HK\$57.0 million. The unaudited consolidated loss before taxation of Gold Lake for each of the two years ended 31 December 2016 and 2017 were approximately HK\$15.4 million and HK\$15.0 million respectively and the unaudited consolidated loss after taxation of Gold Lake for each of the two years ended 31 December 2016 and 2017 were approximately HK\$13.5 million and HK\$13.3 million respectively.

There are certain shareholders' loans owed by the subsidiaries of Chief Strategy and Gold Lake to the Vendor (the "**Shareholders' Loans**"), which amounted to approximately HK\$56.2 million in aggregate as at 31 March 2018.

For the purpose of the Disposal and as a condition precedent to Completion, the Group was to undergo the Reorganisation whereby the Vendor was to (i) transfer all the issued ordinary shares of Chief Strategy and Gold Lake; and (ii) assign all its interests in the Shareholders' Loans to the Target Company, and in consideration of which the Target Company was to allot and issue new ordinary shares and the Sale CPS to the Vendor. Immediately after completion of the Reorganisation and immediately before Completion, the Vendor would have held the Sale Ordinary Shares and the Sale CPS, while the Target Company would have become the holding company of Chief Strategy and Gold Lake and held the Shareholders' Loans.

Assets to be disposed of

Pursuant to the Agreement, the Vendor had conditionally agreed to sell and (i) Jumboview had conditionally agreed to purchase the Sale Ordinary Shares; and (ii) Long Set had conditionally agreed to purchase the Sale CPS upon completion of the Reorganisation. The Sale Ordinary Shares and the Sale CPS were to be sold free from all encumbrances and together with all rights attached thereto after Completion, including all dividends and distributions declared, made or paid thereafter.

The Sale Ordinary Shares would have represented all the issued ordinary shares of the Target Company held by the Vendor after completion of the Reorganisation. The Sale CPS would have been a non-voting non-redeemable convertible preference share with a notional value of approximately HK\$81.8 million to be issued by the Target Company to the Vendor upon completion of the Reorganisation. The Sale CPS would have been convertible at the discretion of the holder thereof into ordinary shares representing 48% of the issued share capital of the Target Company as enlarged by the allotment and issue of such ordinary shares immediately after full conversion of the Sale CPS.

Consideration

The Consideration for the Sale Ordinary Shares and the Sale CPS was to be approximately HK\$170.5 million in aggregate and was determined after arm's length negotiations between the Vendor and the Purchasers with reference to the preliminary valuation of 100% equity interest in Chief Strategy and Gold Lake as at 31 March 2018 of approximately HK\$109.3 million prepared by an independent professional valuer using market approach and the amount of the Shareholders' Loans of approximately HK\$56.2 million as at 31 March 2018.

The Consideration attributable to the Sale Ordinary Shares payable by Jumboview was to be approximately HK\$88.7 million (representing 52% of the Consideration) and was to be satisfied by setting off against the outstanding principal amount of Bond A (together with outstanding interest accrued thereon up to 30 June 2018 (if any)) upon Completion.

The Consideration attributable to the Sale CPS payable by Long Set was to be approximately HK\$81.8 million (representing 48% of the Consideration) and was to be settled by setting off against the outstanding principal amount of Bond B (together with outstanding interest accrued thereon up to 30 June 2018 (if any)) upon Completion.

Conditions precedent

Completion was conditional upon:

- (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) the Reorganisation having been completed; and
- (iii) the representations and warranties given by the Vendor under the Agreement remaining true and accurate in all material aspects and not misleading in any material respect as at Completion.

Conditions (i) and (ii) above were not to be waived in any event.

Should the above conditions not be fulfilled or waived, if applicable, on or before 4:00 p.m. on 31 August 2018 or such other time and date as the Vendor and the Purchasers may agree, the Agreement would cease and determine (save and except for terms in relation to announcement, notice and process agents, costs and stamp duty, third parties rights and governing law and jurisdiction which shall continue to have full force and effect) and no party would have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion was to take place on the date falling on the Business Day on which the last of the above conditions has been fulfilled.

Should Completion have taken place, each of the Target Company, Chief Strategy and Gold Lake would have ceased to be a subsidiary of the Company.

Other terms

Each of Jumboview and Long Set had further agreed that (i) no repayment of the Bonds nor payment of interests accrued thereon should 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 was terminated before Completion or Completion had not taken place in accordance with the terms of the Agreement; and (ii) all interests (including but not limited to default interests) accrued on the Bonds from 1 July 2018 onwards would be waived upon Completion.

REASONS FOR THE DISPOSAL

The Group is principally engaged in (i) the cultivation, research, processing and sale of exocarpium citri grandis and its seedlings and manufacturing of related products; and (ii) 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.

In view of the expected challenging conditions of the construction machinery market, which creates uncertainty to the Group's return on the tower cranes, the Directors consider that the Disposal represents an opportunity for the Company to realise its investment in the construction machinery business. Moreover, the Consideration was to be satisfied by setting off against the outstanding amount of the Bonds entirely which fell due on 30 June 2018, and such set-off would relieve the Company's cash flow pressure to repay the Bonds. As such, the Directors considered that the terms of the Agreement were fair and reasonable and the Disposal was in the interests of the Company and the Shareholders as a whole.

Should the Disposal have proceeded pursuant to the Agreement, based on the unaudited consolidated financial statements of Chief Strategy and Gold Lake as at 31 March 2018, it was expected that the Group would have recorded a gain of approximately HK\$340,000 as a result of the Disposal, being the difference between (i) the Consideration (net of transaction costs and expenses directly attributable to the Disposal) of approximately HK\$168.0 million; and (ii) the sum of (a) the aggregate unaudited consolidated net assets attributable to the owners of Chief Strategy and Gold Lake (after elimination of inter-company balances and transactions) of approximately HK\$119.3 million as at 31 March 2018, (b) the Shareholders' Loans in the amount of approximately HK\$56.2 million as at 31 March 2018, and (c) the translation reserve of approximately HK\$7.8 million as at 31 March 2018 to be released upon Completion.

LAPSE OF THE AGREEMENT AND REPAYMENT OF THE BONDS

As the conditions precedent for Completion had not been fulfilled or waived (if applicable) on or before 4:00 p.m. on 31 August 2018, being the latest time for the fulfillment or waiver (if applicable) of the conditions precedent according to the Agreement, the Agreement had lapsed on 31 August 2018 and the Disposal will not be proceeded.

On the even date, the outstanding principal amount of the Bonds together with interest accrued up to the date of repayment, which amounted to approximately HK\$175.6 million in aggregate, has been fully repaid by the Group. The repayment was financed by the internal resources of the Group and a shareholder's loan granted by Harbour Luck Investments Limited, the controlling Shareholder holding 600,000,000 Shares (representing approximately 56.60% of the issued share capital of the Company as at the date of this announcement). The aforesaid shareholder's loan was granted to the Company on normal commercial terms or better to the Company and was not secured by any assets of the Group, and constituted a fully exempt connected transaction of the Company pursuant to Rule 14A.90 of the Listing Rules.

The Directors are of the view that the lapse of the Agreement would not pose any material adverse effect on the operation or financial position of the Group. Following the lapse of the Agreement, the Company will continue to engage in the construction machinery business.

LISTING RULES IMPLICATIONS

The Disposal constituted a major transaction for the Company and would therefore be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Disposal will not be proceeded, no Shareholders' approval will be sought.

RESUMPTION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 3 July 2018 at the request of the Company pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 September 2018.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 29 June 2018 entered into between the Vendor and the Purchasers in relation to the Disposal
“Board”	the board of Directors
“Bond A”	the bond due in 2018 issued by the Vendor with outstanding principal amount of HK\$52.0 million held by Jumboview
“Bond B”	the bond due in 2018 issued by the Vendor with outstanding principal amount of HK\$48.0 million held by Long Set
“Bonds”	collectively, Bond A and Bond B
“Business Day(s)”	a day(s) (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	British Virgin Islands
“Chief Strategy”	Chief Strategy Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor as at the date of the Agreement

“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”	the aggregate consideration for the Disposal
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Ordinary Shares and the Sale CPS by the Vendor to the Purchasers in accordance with the terms of the Agreement
“Gold Lake”	Gold Lake Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor as at the date of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jumboview”	Jumboview Limited, a company incorporated in the BVI with limited liability and one of the Purchasers
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Set”	Long Set Investments Limited, a company incorporated in Hong Kong with limited liability and one of the Purchasers
“Macau”	Macao Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Purchasers”	Jumboview and Long Set
“Reorganisation”	the corporate reorganisation as described in this announcement to be undertaken by the Target Group before Completion pursuant to the Agreement

“Sale CPS”	a non-voting non-redeemable convertible preference share be issued by the Target Company to the Vendor upon completion of the Reorganisation, which would be convertible into ordinary shares representing 48% of the issued share capital of the Target Company immediately after full conversion
“Sale Ordinary Shares”	all issued ordinary shares of the Target Company held by the Vendor upon completion of the Reorganisation
“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)
“Singapore”	The Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hover Ascend Limited 翱昇有限公司, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor as at the date of the Agreement
“Target Group”	the Target Company, Chief Strategy, Gold Lake and their respective subsidiaries
“Vendor”	Chief Key Limited 建崇有限公司, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“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, 31 August 2018

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.