

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL OF 51% OF THE ISSUED
SHARE CAPITAL OF BEST EARNEST INVESTMENTS LIMITED
AND
EXEMPTED CONNECTED TRANSACTION**

THE DISPOSAL

On 24 February 2020, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares for a total consideration of HK\$230,000,000.

IMPLICATIONS UNDER THE LISTING RULES

Chapter 14

As the highest of the applicable percentage ratios of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

Chapter 14A

As at the date of this announcement, the Target Company is beneficially owned as to 51% by the Vendor and as to 49% by the Purchaser and the Purchaser is a connected person of the Company at the subsidiary level. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) the Board considers that the Agreement and the transaction contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Board has approved the Agreement and the transaction contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the Agreement and the transaction contemplated thereunder are fair and reasonable, the Agreement and the transaction contemplated thereunder fall within the exemption under Rule 14A.101 of the Listing Rules and are subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened at which an ordinary resolution will be proposed to seek the Shareholders' approval of the Agreement and the transaction contemplated thereunder pursuant to the requirement of the Listing Rules. It is currently intended that approximately 80% of the net proceeds from the Disposal will be applied to repay the Shareholder's Loans due to Harbour Luck. As at the date of this announcement, Harbour Luck is a controlling Shareholder interested in approximately 30.60% of the total number of Shares in issue of the Company. Therefore, Harbour Luck is considered to have a material interest in the Disposal and Harbour Luck and its associates shall abstain from voting on the ordinary resolution to approve the Agreement and the transaction contemplated thereunder at the EGM pursuant to the Listing Rules.

As at the date of this announcement, the Target Company is beneficially owned as to 51% by the Vendor and as to 49% by the Purchaser and the Purchaser is a connected person of the Company at the subsidiary level. As at the date of this announcement, the Purchaser is interested in approximately 9.43% of the total number of Shares in issue of the Company. Therefore, the Purchaser is considered to have a material interest in the Disposal and the Purchaser and his associates shall also abstain from voting on the ordinary resolution to approve the Agreement and the transaction contemplated thereunder at the EGM pursuant to the Listing Rules.

Save as disclosed above, to the best of the Directors' knowledge after having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and the transaction contemplated thereunder. Accordingly, no other Shareholder is required to abstain from voting on the ordinary resolution to approve the Agreement and the transaction contemplated thereunder at the EGM.

A circular containing, among other things, details of the Disposal, principal terms of the Agreement, the financial information of the Group and the Target Group, the notice of the EGM and other information as required under the Listing Rules is expected to be despatched by the Company to the Shareholders on or before 15 April 2020 which is more than 15 business days after the date of this announcement as additional time is required to prepare and finalise the information to be included in the circular.

Completion is conditional upon the Company having obtained the Shareholders' approval at the EGM in relation to the Agreement and the transaction contemplated thereunder. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

THE DISPOSAL

On 24 February 2020, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares for a total consideration of HK\$230,000,000.

The principal terms of the Agreement are summarized as follows.

Subject Matter

The Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares, representing 51% of the issued shares of the Target Company as at the date of the Agreement.

Consideration

The consideration for the Disposal is HK\$230,000,000, which shall be paid by the Purchaser to the Vendor in the following manner:

- (i) HK\$23,000,000 will be payable to the Vendor as a non-refundable deposit within three Business Days after the execution of the Agreement;
- (ii) HK\$115,000,000 will be payable to the Vendor within three Business Days after obtaining the Shareholders' approval at the EGM in relation to the Agreement and the transaction contemplated thereunder in accordance with the requirement of the Listing Rules; and
- (iii) HK\$92,000,000 will be payable to the Vendor on the Completion Date.

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into account (i) the consideration paid by the Vendor under the Previous Acquisition Agreement and (ii) the prospects of the Target Company.

Condition Precedent

Completion is conditional upon the Company having obtained the Shareholders' approval at the EGM in relation to the Agreement and the transaction contemplated thereunder in accordance with the requirement of the Listing Rules.

If the aforesaid condition is not satisfied by the Long Stop Date, the Agreement shall terminate forthwith and neither party shall have any liability towards the other party save for certain surviving provisions and any antecedent breach of the Agreement.

Completion

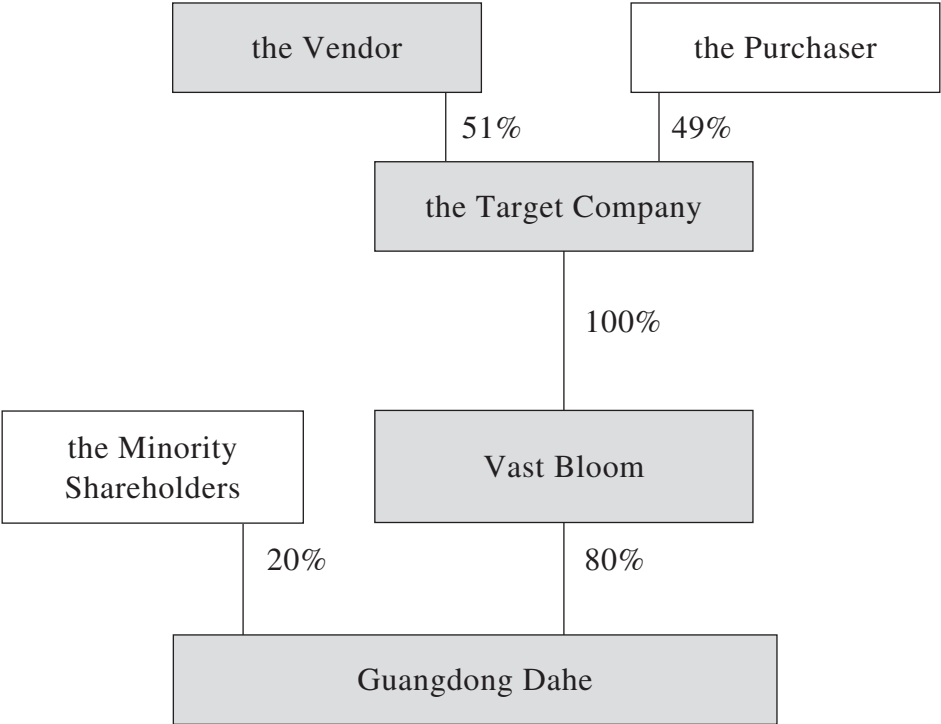
Completion shall take place on the Completion Date. Upon Completion, the Target Company and its subsidiaries will cease to be subsidiaries of the Company and all the results and assets and liabilities of the Target Group will no longer be consolidated in the financial statements of the Group.

INFORMATION ON THE PARTIES

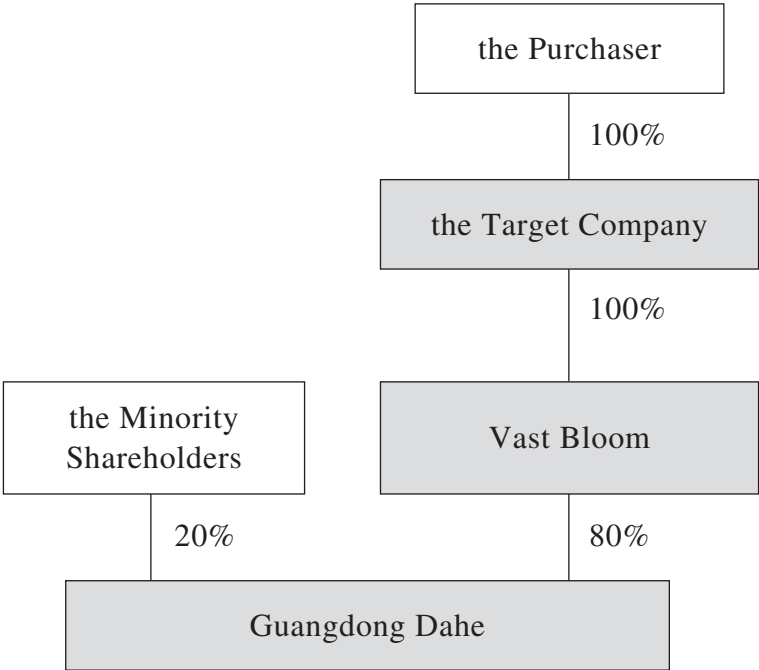
The Target Group

The shareholding structure of the Target Group as at the date of the Agreement and upon Completion is set out below.

As at the date of the Agreement:



Upon Completion



The Target Company and Vast Bloom

The Target Company is an investment holding company incorporated in the British Virgin Islands on 26 October 2012 with limited liability. As at the date of this announcement, the Target Company is owned as to 51% by the Vendor and as to 49% by the Purchaser.

The Target Company in turn holds 100% interest in Vast Bloom Investment Limited (大旺投資有限公司) (“**Vast Bloom**”), which is an investment holding company incorporated in Hong Kong on 21 August 2015 with limited liability.

The Target Company and Vast Bloom have not carried out any businesses or have any material assets and liabilities save for their respective investment(s) in their direct subsidiary(ies) and amount due to related parties.

Guangdong Dahe

Guangdong Dahe was established in the PRC on 30 September 2013 with limited liability. As at the date of the Agreement, the registered capital of Guangdong Dahe was held as to 80% by Vast Bloom and the balance by the Minority Shareholders. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Minority Shareholders are third parties independent of the Vendor, the Company and the connected persons of the Company.

Guangdong Dahe is principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis (化橘紅), a Chinese herbal medicine, in the PRC.

Financial information of the Target Group

The unaudited financial results of the Target Group for the two years ended 31 December 2017 and 2018 are as follows:

	For the year ended 31 December	
	2017	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net profit before tax	67,224	91,699
Net profit after tax	67,224	91,699

As at 30 November 2019, the unaudited total assets and net assets of the Target Group were approximately HK\$578,117,000 (the amount attributable to the Company was approximately HK\$235,872,000) and HK\$547,078,000 (the amount attributable to the Company was approximately HK\$223,208,000), respectively.

The Company and the Vendor

The Company is an investment holding company. The Group is principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases and providing repair and maintenance services in respect of the construction machinery (the “**Construction Equipment Business**”); and (ii) through the Target Group, cultivation, research, processing and sales of exocarpium citri grandis and its seedlings (the “**Plantation Business**”).

The Vendor is a company incorporated in the British Virgin Islands on 8 February 2012 with limited liability and a wholly-owned subsidiary of the Company. Its principal activity is investment holding and its principal asset is its investment in 51% shareholding interest in the Target Company. As at the date of this announcement, the Vendor directly holds 51% of the issued share capital of the Target Company.

The Purchaser

The Purchaser directly holds 49% of the issued share capital of the Target Company as at the date of this announcement. To the knowledge of the Directors, the Purchaser holds approximately 9.43% of the total issued share capital of the Company as at the date of this announcement.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group acquired 51% equity interest in the Target Company in 2016 pursuant to the Previous Acquisition Agreement with a view to broadening its income stream. The Plantation Business heavily depends on the climate condition, the supply and demand conditions of Chinese medicinal materials and the sales price of exocarpium citri grandis. The revenue of the Group from the sale of the dried exocarpium citri grandis for the six month ended 30 June 2019 was approximately HK\$29.2 million as compared with HK\$65.7 million for the six months ended 30 June 2018. The decrease was mainly attribute to the decease of sales of exocarpium citri grandis. The revenue attributable to the sales of the dried exocarpium citri grandis for the year ended 2018 was less than the year ended 2017 due to the decreased sales price of exocarpium citri grandis.

As disclosed in the announcement of the Company dated 9 December 2019, the Minority Shareholders initiated proceedings relating to the dispute among the shareholders of Guangdong Dahe with the Intermediate People's Court of Maoming City, Guangdong Province* (廣東省茂名市中級人民法院) (the “**Court**”). In response to this, Vast Bloom petitioned to the Court for the winding-up of Guangzhou Dahe on 4 December 2019.

The Directors consider that the Disposal is a good opportunity for the Group to realise its investment in the Target Croup and are also of the view that the Disposal is a strategic and defensive action to protect the interest of the Company and the Shareholders, which allows the Group to avoid the potential risk arising from the aforesaid legal proceedings.

The Group has been engaging in the Construction Equipment Business since its listing in 2010. The Directors intend to reallocate and focus its resources on the continuous development of the Construction Equipment Business. As at 30 November 2019, the Group entered into the Construction Equipment Business contracts in the total amount of HK\$100,978,495.

Having considered the above factors, the Directors (including all the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and that the entering into the Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company and its subsidiaries will cease to be subsidiaries of the Company and the results and assets and liabilities of the Target Group will no longer be consolidated in the financial statements of the Group.

Subject to final audit, it is expected that the Group will realise a net gain on the Disposal of not more than approximately HK\$6,792,000, which is calculated by reference to the unaudited net assets of the Target Group as at 30 November 2019.

USE OF PROCEEDS

The net proceeds from the Disposal after deducting the taxation and transaction costs are estimated to be approximately HK\$230,000,000. The Group intends to use the net proceeds in the following manner:

- (a) HK\$183,000,000, representing approximately 80% of the net proceeds from the Disposal for repaying the Shareholder's Loans bearing an annual interest rate of 10%;
- (b) HK\$41,000,000, representing approximately 18% of the net proceeds from the Disposal for purchasing new machinery to expand the Construction Equipment Business; and
- (c) HK\$6,000,000, representing approximately 2% of the net proceeds from the Disposal for general working capital of the Group.

Although approximately 80% of the net proceeds from the Disposal will be used for repaying Shareholder's Loans and related interests, the repayment of the Shareholder's Loans can reduce the gearing ratio of the Group and enable the Group to borrow bank loans with a lower interest rate.

Upon the repayment of the Shareholder's Loans, the Group will still have sufficient funds for the development of the Construction Equipment Business for the following reasons:

- (i) formal contracts for purchasing new equipment (the "**Formal Contracts**") will be signed based on the signing of the equipment leasing contracts with customers (the "**Leasing Contracts**"). Upon signing the Formal Contracts, 20% to 25% of the purchasing price will be paid by the Company and 75% to 80% of the purchasing price will be paid by bank loans. The Company will be able to apply for the bank loans with the Leasing Contracts and the title documents of the new equipment. The Company intends to apply for bank loans in an estimated amount of approximately HK\$134,000,000 for the instalment payment and/or final payment of purchasing the new tower cranes. As the new equipment will be mortgaged to banks and the rental income generated from the Leasing Contracts will be a source for the repayment of bank loans, the Company can obtain bank loans with a favourable interest rate, which is approximately 5%, compared with the 10% annual interest rate of the Shareholder's Loans and
- (ii) after the repayment of the Shareholder's Loans, the interest payment obligation of the Company will cease. It is estimated that the Group could save the interest cost in the amount of HK\$18,300,000 per annum after the repayment of the Shareholder's Loans.

As such, the Board is of the view that the repayment of the Shareholder's Loans is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Chapter 14

As the highest of the applicable percentage ratios of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

Chapter 14A

As at the date of this announcement, the Target Company is beneficially owned as to 51% by the Vendor and as to 49% by the Purchaser and the Purchaser is a connected person of the Company at the subsidiary level. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) the Board considers that the Agreement and the transaction contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Board has approved the Agreement and the transaction contemplated thereunder; and (iii) the independent non-executive Directors have confirmed that the terms of the Agreement and the transaction contemplated thereunder are fair and reasonable, the Agreement and the transaction contemplated thereunder fall within the exemption under Rule 14A.101 of the Listing Rules and are subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened at which an ordinary resolution will be proposed to seek the Shareholders' approval of the Agreement and the transaction contemplated thereunder pursuant to the requirement of the Listing Rules. It is currently intended that approximately 80% of the net proceeds from the Disposal will be applied to repay the Shareholder's Loans due to Harbour Luck. As at the date of this announcement, Harbour Luck is a controlling Shareholder interested in approximately 30.60% of the total number of Shares in issue of the Company. Therefore, Harbour Luck is considered to have a material interest in the Disposal and Harbour Luck and its associates shall abstain from voting on the ordinary resolution to approve the Agreement and the transaction contemplated thereunder at the EGM pursuant to the Listing Rules.

As at the date of this announcement, the Target Company is beneficially owned as to 51% by the Vendor and as to 49% by the Purchaser and the Purchaser is a connected person of the Company at the subsidiary level. As at the date of this announcement, the Purchaser is interested in approximately 9.43% of the total number of Shares in issue of the Company. Therefore, the Purchaser is considered to have a material interest in the Disposal and the Purchaser and his associates shall also abstain from voting on the ordinary resolution to approve the Agreement and the transaction contemplated thereunder at the EGM pursuant to the Listing Rules.

Save as disclosed above, to the best of the Directors' knowledge after having made all reasonable enquiries, no other Shareholder has a material interest in the Agreement and the transaction contemplated thereunder. Accordingly, no other Shareholder is required to abstain from voting on the ordinary resolution to approve the Agreement and the transaction contemplated thereunder at the EGM.

A circular containing, among other things, details of the Disposal, principal terms of the Agreement, the financial information of the Group and the Target Group, the notice of the EGM and other information as required under the Listing Rules is expected to be despatched by the Company to the Shareholders on or before 15 April 2020 which is more than 15 business days after the date of this announcement as additional time is required to prepare and finalise the information to be included in the circular.

Completion is conditional upon the Company having obtained the Shareholders' approval at the EGM in relation to the Agreement and the transaction contemplated thereunder. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

DEFINITIONS

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

“Agreement”	the agreement dated 24 February 2020 entered into by and between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“Board”	the board of the Company
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Company”	Eagle Legend Asia Limited, a company incorporated in the Cayman Islands with limited liability, the 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 and conditions of the Agreement
“Completion Date”	the fifth (5th) Business Day after satisfaction of the condition precedent to Completion as set out under “Disposal – Condition Precedent” above, or such later date as agreed by the Vendor
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Equipment Business”	has the meaning ascribed to it in the section headed “Information on the Parties” in this announcement
“Court”	has the meaning ascribed to it in the section headed “Reasons and Benefits for the Disposal” in this announcement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreement and transaction contemplated thereunder
“Group”	the Company and its subsidiaries
“Guangdong Dahe”	廣東大合生物科技股份有限公司 (Guangdong Dahe Biological Technologies Limited*), a company established in the PRC with limited liability
“Harbour Luck”	Harbour Luck Investments limited 福港投資有限公司, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	30 June 2020 or such later date as agreed by the Vendor
“Minority Shareholders”	the minority shareholders of Guangdong Dahe who are individuals
“Plantation Business”	has the meaning ascribed to it in the section headed “Information on the Parties” in this announcement
“Previous Acquisition Agreement”	the sale and purchase agreement dated 27 October 2016 entered into by and between the Vendor and the Purchaser in relation to the sale of the Sale Shares by the Purchaser to the Vendor, details of which are set out in the circular of the Company dated 21 December 2016
“Purchaser”	何曉陽 (Mr. He Xiaoyang*), being a shareholder of the Target Company and holding 49% of the issued share capital of the Target Company
“Sale Shares”	102 ordinary shares in the issued share capital of the Target Company, representing 51% of the issued share capital of the Target Company
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder’s Loans”	the outstanding shareholder’s loans provided by Harbour Luck to the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Best Earnest Investments Limited 佳誠投資有限公司, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	Target Company and its subsidiaries
“Vendor”	Lucky Boom Investments Limited 祥盛投資有限公司, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability

“%”

per cent.

By Order of the Board
Eagle Legend Asia Limited
Guo Peineng
Deputy Chairman

Hong Kong, 24 February 2020

* *For identification purposes only*

As at the date of this announcement, the board of directors of the Company comprises Mr. Guo Peineng, Mr. Zhao Yi and Mr. Chen Huajie as executive directors; and Mr. Xu Xiaowu, Mr. Li Yongjun and Mr. Diao Yingfeng as independent non-executive directors.