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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)

VERY SUBSTANTIAL DISPOSAL INVOLVING THE SALE OF INTERESTS IN CONSTRUCTION EQUIPMENT BUSINESS AND RESUMPTION OF TRADING

Financial Adviser



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

On 17 April 2014 (after trading hours), 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 purchase the Sale Assets for a consideration of HK\$127,500,000, which shall be settled by the Purchaser to the Vendor in cash. The Sale Assets comprise the Sale Shares and the Sale Loans. The Sale Shares represent the entire issued share capital of the Sale Entities, and the Sale Loans represent the entire amount due from the Sale Group to the Vendor.

Completion is conditional upon, inter alia, approval to be obtained by the Company on the Sale from (i) the Stock Exchange for the issuance of a circular; and (ii) the Shareholders at the EGM.

The Board considers the Sale Business both capital and management time intensive, highly leveraged, lacking in exposure in the PRC, and offers only moderate return on investment. Upon Completion, the Group will significantly reduce leverage, and the Board will identify other businesses that offer better return and/or lower risk to the Shareholders.

Upon Completion, the Remaining Business will be mainly the manufacturing and sale of proprietary Chinese medicines and health products in the PRC. The Remaining Business is accredited with the new Good Manufacturing Practices for pharmaceutical products, had a revenue of over HK\$50 million, a gross profit of over HK\$12 million and a net profit of over HK\$350,000 for the year ended 31 December 2013, employs 157 staff, has its own manufacturing facilities, office building and staff dormitory erected on a site of 162,173 square meters in Ji'an, Jiangxi Province, PRC. The Remaining Business owns 45 registered trademarks and 39 drug licenses issued by the China Food and Drug Administration as at 31 March 2014, and manufactures a wide range of products carrying the brand name of "Newomen" (半邊天).

As one or more of the relevant percentage ratios of the Sale are more than 75%, the Sale constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval at the EGM. A draft of this announcement was submitted to the Stock Exchange on 17 April 2014, on the date of signing of the Agreement, for its vetting pursuant to Rule 13.52(2)(a) of the Listing Rules.

On 6 June 2014, the Stock Exchange informed the Company the Listing Decision, which in essence concluded that the Company would fail to satisfy Rule 13.24 of the Listing Rules to maintain a sufficient level of operation or assets to warrant a continued listing of the Stock Exchange should it proceed with the Sale. In addition, the Listing Committee decided that, pursuant to Rule 6.01 of the Listing Rules, the securities of the Company should be suspended from trading on the Stock Exchange upon Completion and any application for resumption of trading should be treated as a new listing application.

Since the Remaining Business is profitable, its scale is substantial, owns substantial manufacturing facilities and land, owns a large number of trademarks and drug licenses and employs a significant workforce, the Board does not agree with the view of the Listing Committee, and has made an application on 14 June 2014 to request a review of the Listing Decision.

The Company is required to despatch to the Shareholders a circular containing, inter alia, (i) further information regarding the Sale; (ii) a notice of EGM; and (iii) other information including pro forma financial information of the Remaining Group as required under the Listing Rules. The Board will consider whether to (i) first despatch the circular for Shareholders' consideration and approval, but only complete the Sale subject to a satisfactory outcome of the review of the Listing Decision, or (ii) postpone the despatch of the circular until the final conclusion of the review process.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 22 April 2014 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 30 June 2014.

The Sale is subject to the satisfaction of the conditions precedent to the Agreement, which may or may not complete. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

THE SALE

On 17 April 2014 (after trading hours), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Assets for a consideration of HK\$127,500,000. Major terms of the Agreement are set out below.

The Agreement

Date : 17 April 2014 (after trading hours)

Parties : (i) Chief Key Limited as the Vendor; and
(ii) Joy Club Enterprises Ltd. as the Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by APL. The principal business activity of the Purchaser is investment holding. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Purchaser and its ultimate beneficial owners is a connected person of the Company or its associate (as defined in the Listing Rules).

Assets to be disposed

The Sale Assets comprise the Sale Shares and the Sale Loans. The Sale Shares represent the entire issued share capital of the Sale Entities, and the Sale Loans represent the entire amount due from the Sale Group to the Vendor.

Consideration

The Consideration of HK\$127,500,000 shall be payable by the Purchaser to the Vendor, or as it may direct, as follows:

- (a) HK\$6,375,000, being 5% of the Consideration as deposit (the “**Deposit**”), has been paid upon signing of the Agreement; and
- (b) HK\$121,125,000, being 95% of the Consideration, will be paid at Completion.

Upon Completion, the Deposit will be applied as partial payment of the Consideration. In the event that Completion does not take place by 31 July 2014 or the Agreement is otherwise terminated, the Vendor shall refund the Deposit to the Purchaser within 3 Business Days.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with the reference to the unaudited consolidated net profits after tax, extraordinary items and non-controlling interest of Chief Strategy and Gold Lake of approximately HK\$11.8 million and HK\$9.6 million, respectively for the year ended 31 December 2013. The Consideration represents approximately 6 times over the earnings of the Sale Entities, which the Board considers fair and reasonable.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions:

- (a) approval having been obtained from the Stock Exchange for the issuance by the Company of a circular to the Shareholders in respect of the Sale;
- (b) the passing of resolution(s) by the Shareholders in accordance with the Listing Rules and all applicable laws at the EGM to be convened approving the Agreement and the transactions contemplated thereunder;
- (c) all necessary consents, approvals and waivers from any relevant governmental or regulatory authority or agency, financial institutions, suppliers or customers for the transactions contemplated under the Agreement having been obtained, and such consents, approvals and waivers not having been amended or revoked before Completion; and
- (d) the representations, warranties and undertakings contained in the Agreement remaining true and accurate and not misleading at Completion and at all times between the date of the Agreement and the date of Completion.

The Purchaser is entitled to waive conditions (c) and (d) above.

Eagle Legend International Holdings Limited, the controlling Shareholder holding 75% voting rights in the Company has given its undertaking to the Purchaser to vote for the Sale at the EGM. If the above precedent to the Agreement are not fulfilled or waived (as the case maybe in writing) on or before 31 July 2014 (or such later date as the parties may agree), the Agreement shall on that date cease and terminate and no party shall have any claim against each other and no party shall have any obligations or liabilities under the Agreement save for any antecedent breaches of the terms thereof.

Undertaking, Warranties and Indemnity

Each of the Vendor and the Purchaser has given customary warranties to each other.

The Purchaser agrees to and undertakes to exercise its reasonable endeavors to procure the release that all guarantee and/or security documents given by the Company to banks and/or other financial institutions to secure the liability and/or indebtedness of the Sale Group shall be released as soon as reasonably practicable and in any event before the expiry of 12 months (or such longer period as the Company shall approve in writing) from Completion. The Purchaser undertakes to indemnify the Company and to keep the Company indemnified against its liability to the banks and/or other financial institutions for any such guarantee and/or security documents provided by the Company after Completion, subject to a maximum amount of HK\$173,372,000.

Completion

Completion shall take place within 5 Business Days after all the conditions have been satisfied or waived (or such other time and/or date as the Vendor and the Purchaser may agree in writing).

INFORMATION OF THE SALE GROUP

The Sale Group is principally engaged in the sale and rental of construction equipment in Hong Kong, Macau and Singapore.

The Sale Entities comprise Chief Strategy and Gold Lake, which are the intermediate holding companies for the Group's business and operations in construction equipment. The Sale Loans represent the entire amount due from the Sale Group to the Vendor, which amounted to HK\$56,295,414 as at 28 February 2014.

Chief Strategy is incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor that serves as the intermediate holding company of the Hong Kong and Macau construction equipment business, which leases and sells construction equipment in Hong Kong and Macau. The unaudited consolidated financial information of Chief Strategy for each of the years ended 31 December 2012 and 2013 are set out in the following table:

	For the year ended	
	31 December	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	43,789	88,682
Net (loss)/profit before tax, extraordinary items and non-controlling interest	(3,110)	11,792
Net (loss)/profit after tax, extraordinary items and non-controlling interest	(2,015)	11,842
Net assets attributable to owners of Chief Strategy	58,672	71,735

Gold Lake is incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor that serves as the intermediate holding company of the Singapore construction equipment business, which leases and sells construction equipment in Singapore. The unaudited consolidated financial information of Gold Lake for each of the years ended 31 December 2012 and 2013 are set out in the following table:

	For the year ended	
	31 December	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	167,110	202,977
Net profit before tax, extraordinary items and non-controlling interest	16,348	11,472
Net profit after tax, extraordinary items and non-controlling interest	14,135	9,551
Net assets attributable to owners of Gold Lake	93,815	101,872

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company would cease to be engaged in the construction equipment business, the Sale Entities would cease to be subsidiaries of the Company and the financial information of the Sale Group would no longer be consolidated in the accounts of the Company.

Immediately upon Completion, pro forma total assets of the Remaining Group would be over HK\$380 million, and pro forma net asset value of the Remaining Group would be approximately HK\$104 million.

As at 31 December 2013, the Group's total liabilities amounted to HK\$567.0 million, and the Gearing was at 1.8 times. Upon Completion, the net proceed from the disposal of the Sale Assets, after deducting estimated legal and professional expenses, of HK\$126.2 million would be used to reduce liabilities, and together with the deconsolidation of the Sale Group from the Company, the Group's total liabilities would be reduced to HK\$152.5 million, and the Gearing would be reduced to 0.8 times. It is expected that the Company will record a loss on disposal (before deducting the related transaction costs) of approximately HK\$101.4 million which is calculated based on the Consideration less the equity interests attributable to the unaudited consolidated net asset of the Sale Group of approximately HK\$172.6 million and the Sale Loans of HK\$56.3 million as at 31 December 2013.

INFORMATION OF THE REMAINING GROUP

Upon Completion, the Remaining Business will be mainly the manufacturing and sale of proprietary Chinese medicines and health products in the PRC. The Remaining Business has recently renewed its Good Manufacturing Practices for pharmaceutical products accreditation under new and more stringent standards and had a revenue of over HK\$50 million, a gross profit of over HK\$12 million and a net profit of over HK\$350,000 for the year ended 31 December 2013. It employs 157 staff and has its own manufacturing facilities, office building and staff dormitory erected on a site of 162,173 square meters in Ji'an, Jiangxi Province, PRC. The Remaining Business owns 45 registered trademarks and 39 drug licenses issued by the China Food and Drug Administration as at 31 March 2014, and manufactures a wide range of products carrying the brand name of "Newomen" (半邊天).

REASONS FOR THE SALE

As at the date of this announcement, the Group is engaged in (i) leasing and sale of construction equipment; and (ii) the manufacture and sale of proprietary Chinese medicines in the PRC.

The Sale Group, or the construction equipment business of the Group, is capital intensive, highly leveraged, lacking in exposure in the PRC, and offers only a moderate return on investment. The rising costs and shortage of human resources present a systemic risk to the business, and the increasing supplies of lower priced construction machines from the PRC pose a formidable competition. With such substantial capital locked up, the Group at present has an undesirable level of debt. The proceeds from the Sale will be used in reducing liabilities of the Group. With a deleveraged and stronger financial position, the Group will be able to identify businesses that offer better return and/or lower risk to the Shareholders.

Having considered all of the above factors, including the risks faced by the Group's construction equipment business, its significant leverage, and the Consideration at approximately 6 times over the earnings of the Sale Entities for the year ended 31 December 2013, the Board is of the view that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interest of the Company and Shareholders as a whole.

The Board does not have any intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any disposal/termination/scaling-down of the Remaining Business, or injection of any other new business to the Group. Nevertheless, the Company is actively seeking new business opportunities for diversifying its business scope and to broaden the revenue base of the Group.

There will be no changes to the Company's shareholding structure upon Completion.

GENERAL

As one or more of the relevant percentage ratios of the Sale are more than 75%, the Sale constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to Shareholders' approval at the EGM. A draft of this announcement was submitted to the Stock Exchange on 17 April 2014, on the date of signing of the Agreement, for vetting pursuant to Rule 13.52(2)(a) of the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquires, no Shareholders is required to abstain from voting for the resolution to be proposed at the EGM to approve the Sale and the transactions contemplated under the Agreement.

LISTING DECISION

On 6 June 2014, the Stock Exchange informed the Company the Listing Decision, which in essence concluded that the Company would fail to satisfy Rule 13.24 of the Listing Rules to maintain a sufficient level of operation or assets to warrant a continued listing of the Stock Exchange should it proceed with the Sale. In addition, the Listing Committee decided that, pursuant to Rule 6.01 of the Listing Rules, the securities of the Company should be suspended from trading on the Stock Exchange upon completion of the Sale and any application for resumption of trading should be treated as a new listing application.

Since the Remaining Business is profitable, its scale is substantial, owns substantial manufacturing facilities and land, owns a large number of trademarks and drug licenses and employs a significant workforce, the Board does not agree with the view of the Listing Committee, and has made an application on 14 June 2014 to request a review the Listing Decision.

The Company is required to despatch to the Shareholders a circular containing, inter alia, (i) further information regarding the Sale; (ii) a notice of EGM; and (iii) other information including pro forma financial information of the Remaining Group as required under the Listing Rules. The Board will consider whether to (i) first despatch the circular for

Shareholders' consideration and approval, but only complete the Sale subject to a satisfactory outcome of the review of the Listing Decision, or (ii) postpone the despatch of the circular until the final conclusion of the review process.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 22 April 2014 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 30 June 2014.

The Sale is subject to the satisfaction of the conditions precedent to the Agreement, which may or may not complete. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 17 April 2014 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Assets
“APL”	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange (Stock Code: 56 and Warrant Code: 1183)
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (other than a Saturday, Sunday, public holidays and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hosted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Chief Strategy”	Chief Strategy Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Company”	Eagle Legend Asia Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 936)
“Completion”	completion of the Agreement

“Consideration”	HK\$127,500,000, being the total amount payable by the Purchaser to the Vendor for the Sale
“Director(s)”	director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Sale and the transactions contemplated under the Agreement
“Gearing”	the sum of bonds payable, promissory notes payable, bank borrowings and finance lease payables, divided by total equity
“Gold Lake”	Gold Lake Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Good Manufacturing Practices”	the practices required in order to conform to guidelines recommended by agencies that control authorization and licensing for manufacture and sale of food, drug products, and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or a food product manufacturer must meet to assure that the products are of high quality and do not pose any risk to the consumer or public
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Decision”	the decision of the Listing Committee communicated to the Company on 6 June 2014 in relation to the Sale
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China

“Purchaser”	Joy Club Enterprises Ltd., a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of APL
“Remaining Business”	the principal business activities of the Remaining Group, which is the manufacturing and sale of proprietary Chinese medicines and health products in the PRC
“Remaining Group”	the Group immediately after Completion
“Sale Assets”	the Sale Loans and the Sale Shares
“Sale Business”	the business of sale and rental of construction equipment in Hong Kong, Macau and Singapore
“Sale Entities”	Chief Strategy and Gold Lake
“Sale Group”	the Sale Entities and their subsidiaries
“Sale Loans”	the entire shareholders’ loans owed by the Sale Group to the Vendor in an aggregate sum of HK\$56,295,414 as at 28 February 2014
“Sale Shares”	being the entire issued share capital of the Sale Entities
“Sale”	the sale of the Sale Shares and the Sale Loans pursuant to the terms and conditions of the Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Chief Key Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Eagle Legend Asia Limited
So Chung
Chairman

Hong Kong, 27 June 2014

As at the date of this announcement, the Board comprises Mr. So Chung, Miss So Man and Miss So Wai as executive Directors, Mr. Lam Woon Kun as non-executive Director and Ms. Lo Miu Sheung Betty, Mr. Ho Gar Lok and Mr. Lam Cheung Shing, Richard as independent non-executive Directors.