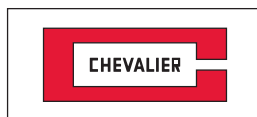


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CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

DISCLOSEABLE TRANSACTION

THE AGREEMENT

The Board is pleased to announce that, after trading hours of the Stock Exchange on 3 April 2017 (Hong Kong time), the Purchasers (being indirect wholly-owned subsidiaries of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchasers conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Properties, being two senior housing properties located in Michigan, the U.S., at the Consideration of US\$33,000,000 (equivalent to approximately HK\$257,400,000).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore only subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

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THE AGREEMENT

Date

3 April 2017

Parties

- (i) The Purchasers; and
- (ii) the Vendors.

Subject matter

Pursuant to the Agreement, the assets to be acquired by the Purchasers are the entire interest in the Properties, which comprise two senior housing properties located in Michigan, the U.S. Further details of the Properties are set out in the section headed “Information of the Properties” below in this announcement.

Consideration and payment terms

The Consideration amounts to US\$33,000,000 (equivalent to approximately HK\$257,400,000), which shall be payable by the Purchasers in cash in the following manner:

- (i) US\$200,000 (equivalent to approximately HK\$1,560,000), being an initial deposit refundable in circumstances described in the paragraph headed “Due diligence” below, is payable to a designated escrow agent immediately following the execution of the Agreement;
- (ii) US\$1,000,000 (equivalent to approximately HK\$7,800,000), being an additional deposit, will be payable to the escrow agent upon expiration of the Due Diligence Period as set out in the Agreement if the Purchasers have not terminated the Agreement according to the terms thereof; and
- (iii) US\$31,800,000 (equivalent to approximately HK\$248,040,000), being the remaining balance of the Consideration, will be payable to the escrow agent on the Completion Date and the escrow agent shall release the entire amount of the Consideration to the Vendors thereafter.

The Consideration was determined after arm’s length negotiations among the Purchasers and the Vendors, having taken into account (i) the average market price of similar senior housing properties in the U.S.; (ii) the historical income generated from the Properties; and (iii) the future income prospects that the Properties could bring to the Group.

The Group intends to settle the Consideration through its internal resources and/or bank financing.

Due diligence

Pursuant to the Agreement, the Purchasers are entitled to carry out due diligence in respect of the Properties during the Due Diligence Period. The Purchasers shall have the right to terminate the Agreement on or before the expiration of the Due Diligence Period in its sole and absolute discretion, in which case the deposit in the amount of US\$200,000 paid on execution of the Agreement shall be returned to the Purchasers.

Conditions precedent to the obligations of the Purchasers

The obligations of the Purchasers under the Agreement are conditional upon:

- (i) all of the documents required to be delivered by the Vendors to the Purchasers at Completion pursuant to the terms and conditions of the Agreement having been delivered in accordance with the terms thereof;
- (ii) each of the representations and warranties of the Vendors being true and correct in all material respects (except those which are qualified as to materiality, which are true and correct in all respects) on and as at the Completion Date;
- (iii) subject to the Purchasers' payment of all title insurance premiums and fees, the title company having been irrevocably committed to issue the title insurance policy for each of the Properties;
- (iv) the Vendors having performed, in all material respects, each of the covenants to be performed by them under the Agreement on or prior to the Completion Date;
- (v) the Vendors not being a debtor in any bankruptcy proceeding;
- (vi) there being in force no order, decree, judgement or injunction of any Governmental Authority enjoining or prohibiting the consummation of the transactions under the Agreement or declaring illegal, invalid or non-binding any of the material covenants or obligations of the Vendors under the Agreement; and there being no pending litigation or, to the knowledge of either the Purchasers or the Vendors, any litigation threatened in writing, which, if adversely determined, would restrain the consummation of any of the transactions under the Agreement or declare illegal, invalid or non-binding any of the material covenants or obligations of the Vendors under the Agreement; and
- (vii) the Purchasers or its property manager having received all approvals required to be obtained by the Purchasers from any applicable Governmental Authority in connection with the execution and delivery of the Agreement, or the consummation of the transactions contemplated thereunder.

If any of conditions (i) to (vii) above is not satisfied at or prior to the Completion Date (except with respect to the conditions (iii), (vi) or (vii) by reason of a default by the Purchasers), the Purchasers may elect to (a) waive any of the foregoing conditions and proceed to Completion with no offset or deduction from the Consideration; or (b) terminate the Agreement, in which case the deposits paid by the Purchasers to the escrow agent shall be returned to the Purchasers and neither party shall have any further obligation or liability to the other, except with respect to those provisions of the Agreement which expressly survive a termination of the Agreement (including but not limited to the provisions relating to remedies and payment of the costs for the transactions under the Agreement) and any antecedent breaches of the terms of the Agreement.

Conditions precedent to the obligations of the Vendors

The obligations of the Vendors under the Agreement are conditional upon:

- (i) all of the documents and funds required to be delivered by the Purchasers to the Vendors or the escrow agent at Completion pursuant to the terms and conditions of the Agreement having been delivered in accordance with the terms thereof;
- (ii) each of the representations and warranties of the Purchasers being true and correct in all material respects (except those which are qualified as to materiality, which are true and correct in all respects) on and as at the Completion Date;
- (iii) the Purchasers having performed, in all material respects, each of the covenants to be performed by them under the Agreement on or prior to the Completion Date;
- (iv) the Purchasers not being a debtor in any bankruptcy proceeding; and
- (v) there being in force no order, decree, judgement or injunction of any Governmental Authority enjoining or prohibiting the consummation of the transactions under the Agreement or declaring illegal, invalid or non-binding any of the material covenants or obligations of the Purchasers under the Agreement; and there being no pending litigation or, to the knowledge of either the Purchasers or the Vendors, any litigation threatened in writing, which, if adversely determined, would restrain the consummation of any of the transactions under the Agreement or declare illegal, invalid or non-binding any of the material covenants or obligations of the Purchasers under the Agreement.

If any of the conditions (i) to (v) above is not satisfied at or prior to the Completion Date (except with respect to the condition (v) by reason of a default by the Vendors), the Vendors may elect to (a) waive any of such conditions and proceed to Completion; or (b) terminate the Agreement, in which case the Vendors shall be entitled to receive and retain from the escrow agent any of the deposits paid by the Purchasers (unless the condition (v) is not satisfied, in which case the Purchasers shall be entitled to a return of the deposits from the escrow agent) and neither party shall have any further obligation or liability to the other, except with respect to those provisions of the Agreement which expressly survive a termination of the Agreement (including but not limited to the provisions relating to remedies and payment of the costs for the transactions under the Agreement) and any antecedent breaches of the terms of the Agreement.

Completion

Completion will take place on the Completion Date, being initially the 30th day following the expiration of the Due Diligence Period or such earlier date as may be mutually acceptable to the Vendors and the Purchasers and subject to the extension of up to four additional weeks by the Purchasers (by depositing with the escrow agent prior to commencement of the applicable extension week a sum of US\$100,000 (equivalent to approximately HK\$780,000) for each week extended, which amounts shall be added to and become part of the deposits of the Consideration) if the conditions precedent to Completion set out in the Agreement are not or are not reasonably expected to be satisfied (or waived) prior to the initial Completion Date.

INFORMATION OF THE VENDORS

Based on the information provided by the Vendors, each of the Vendors is owned by a publicly-traded real estate investment trust listed on the New York Stock Exchange which owns a diversified portfolio of senior housing properties located across the U.S., including the Properties held through the Vendors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION OF THE PROPERTIES

The Properties comprise two senior housing properties located in Michigan, the U.S., which together provide an aggregate of 299 units (as independent living units; assisted living and memory care services which are available to residents through a third-party home healthcare company) with a total rentable area of over 170,000 square feet. Based on the information provided by the Vendors, the overall average occupancy rate of the Properties was over 90% in 2016.

Set out below is the key historical financial information attributable to the Properties for each of the two years ended 31 December 2015 and 2016, based on the management accounts provided by the Vendors:

	For the year ended 31 December 2015 <i>(Note)</i> <i>(Unaudited)</i>	For the year ended 31 December 2016 <i>(Unaudited)</i>
Revenue	US\$6,026,000 (equivalent to approximately HK\$47,002,800)	US\$6,889,000 (equivalent to approximately HK\$53,734,200)
Net operating income	US\$2,071,000 (equivalent to approximately HK\$16,153,800)	US\$2,430,000 (equivalent to approximately HK\$18,954,000)

Note: One of the Properties was acquired by the Vendors in February 2015. Accordingly, the financial information attributable to such property for the year ended 31 December 2015 only covers the results for the period from the date of acquisition to 31 December 2015.

As advised by the Vendors, the senior housing services at the Properties are currently operated by a third-party healthcare company. Following Completion, the Group intends to continue to engage the existing healthcare company, which is a third party independent of the Company and its connected persons, for the operation of the senior housing services at the Properties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the principal activities of its subsidiaries include construction and engineering, property investment, property development and operations, senior housing and car dealership.

Since 2011, the Group has been engaged in the senior housing business in the U.S. As of today, the Group owns 23 senior housing facilities in the U.S. providing around 1,800 beds to serve different needs of the aged population.

According to the latest available statistics published by the United States Census Bureau (the “U.S. Census Bureau”) of the Economics and Statistics Administration under the Department of Commerce in the U.S., as of July 2015, the nation’s population in the age group of 65 years or above totalled approximately 47,830,000 which accounted for approximately 14.9% of the total population in the U.S. The U.S. Census Bureau projects that the population of U.S. residents aged 65 or above will continue to increase and reach 65,920,000 in 2030, accounting for more than 20% of the then forecasted total national population. In view of the expected rise in aged population, the Directors are confident that demand for senior housing facilities will continue to grow in the U.S. and the Acquisition provides the Group with a good opportunity to expand its senior housing portfolio amid the promising outlook of the senior housing business segment in the U.S.

Taking into account the aforesaid reasons and the capitalisation rate of approximately 7.4% calculated based on the Consideration and the aggregate net operating income of the Properties of US\$2,430,000 for the year ended 31 December 2016, the Directors consider that the terms of the Agreement are on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore only subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the sale and purchase of the Properties contemplated under the Agreement
“Agreement”	the agreement dated 3 April 2017 entered into among the Purchasers and the Vendors in respect of the Acquisition
“Board”	the board of Directors
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock code: 25)
“Completion”	consummation of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date on which Completion takes place
“Consideration”	the consideration payable by the Purchasers for the Acquisition pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Due Diligence Period”	the period from the date of the Agreement until the date that is the 45th day after the date of the Agreement or until the earlier termination of the Agreement
“Governmental Authority”	individually and collectively, any federal, state, municipal, local or foreign government, including each of their respective branches, departments, agencies, commissions, boards, bureaus, courts, instrumentalities or other government appointed, quasi-governmental or regulatory authority, reporting entity or agency, domestic, foreign or supranational
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	two senior housing properties located in Michigan, the U.S.
“Purchasers”	purchasers of the Properties under the Agreement, being two indirect wholly-owned subsidiaries of the Company and duly incorporated in the State of Delaware in the U.S. with limited liabilities
“Shareholder(s)”	holder(s) of the ordinary share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	The United States of America
“Vendors”	vendors of the Properties under the Agreement, being four companies owned by a publicly-traded real estate investment trust listed on the New York Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the U.S.
“%”	per cent.

For ease of reference, sums in HK\$ and US\$ in this announcement are translated at the rate of US\$1 = HK\$7.8. This does not mean that US\$ could be converted into HK\$ or vice versa based on such exchange rate.

By Order of the Board
Chevalier International Holdings Limited
KUOK Hoi Sang
Co-Chairman and Managing Director

Hong Kong, 3 April 2017

As at the date of this announcement, the Board comprises Dr. Chow Yei Ching (Co-Chairman), Messrs. Kuok Hoi Sang (Co-Chairman and Managing Director), Tam Kwok Wing (Deputy Managing Director), Ho Chung Leung, Ma Chi Wing and Miss Lily Chow as Executive Directors; Dr. Chow Ming Kuen, Joseph, Mr. Yang Chuen Liang, Charles, Professor Poon Chung Kwong and Mr. Irons Sze as Independent Non-Executive Directors; Dr. Ko Chan Gock, William and Mr. Chow Vee Tsung, Oscar as Non-Executive Directors.

* *For identification purpose only*