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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 IN RELATION TO ACQUISITION OF PROPERTY

The Board announces that after Stock Exchange trading hours on 18 May 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Vendor in relation to the acquisition of the Sale Share and the Sale Debt for the Consideration of HK\$228 million. The principal asset of the Target is the Property which is for residential and commercial use.

The Provisional Agreement serves as a framework to govern the action that the parties shall take, including the execution of the Formal Agreement. The Formal Agreement shall be signed within 21 days from completion of the Due Diligence Review or not later than 15 July 2017. Completion shall take place on the earlier of 25 August 2017 or within 40 days from the date of the Formal Agreement (or such later date as the Vendor and the Purchaser may agree in writing).

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

THE PROVISIONAL AGREEMENT

Date:

18 May 2017

Parties:

- (a) Ocean Target Group Limited, as vendor; and
- (b) Jumbo Rainbow Limited, an indirect wholly-owned subsidiary of the Company, as purchaser.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (a) the Vendor is principally engaged in investment holding; and (b) the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter:

Pursuant to the Provisional Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share and the Sale Debt free from all encumbrances and third party rights.

The Sale Share represents the entire issued share capital of the Target as at the date of the Provisional Agreement while the Sale Debt represents all debts owing by the Target to the Vendor and its associates (if any) at Completion.

The Formal Agreement:

The Provisional Agreement serves as a framework to govern the action that the parties shall take in respect of the sale and purchase of the Sale Share and the Sale Debt, including the execution of the Formal Agreement. The Formal Agreement shall be signed within 21 days from the completion of the Due Diligence Review or not later than 15 July 2017 which shall incorporate terms, warranties and representations customary to transactions similar to the Acquisition based on the principal terms set out in the Provisional Agreement. The Provisional Agreement shall have binding effect on the Vendor and the Purchaser and shall remain valid and of full force and effect unless and until replaced by the Formal Agreement.

Consideration and payment terms:

The Consideration of HK\$228 million is payable by the Purchaser in cash in the following manner:

- (a) the Initial Deposit of HK\$5,625,000 (representing approximately 2.5% of the Consideration) was paid by the Purchaser upon signing of the Provisional Agreement;
- (b) the Further Deposit of HK\$17,175,000 (representing approximately 7.5% of the Consideration) shall be payable within 10 days from the date of the Provisional Agreement;
- (c) the Second Further Deposit of HK\$22,800,000 (representing 10% of the Consideration), shall be payable on 15 July 2017 or upon the signing of the Formal Agreement, whichever is the earlier; and
- (d) the remaining balance of HK\$182,400,000 (representing 80% of the Consideration), shall be payable upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser by reference to the prevailing market value of similar properties in the same area in Hong Kong. The Company intends to finance the Consideration by the Group's internal resources and bank borrowings.

Due Diligence Review:

The Purchaser shall be entitled to perform the Due Diligence Review within a 21-day period after the delivery of the documents by the Vendor. If it is discovered during the Due Diligence Review that there is any irregularity and the Vendor fails to rectify the irregularity within 7 days from the date of discovery by the Purchaser, the Purchaser shall be entitled to cancel the transaction contemplated under the Provisional Agreement, and the Initial Deposit and the Further Deposit shall be refunded to the Purchaser.

Conditions:

Completion of the Acquisition shall be subject to and conditional on:

- (a) the Purchaser having completed the Due Diligence Review and satisfied with the results thereof with the Purchaser acting reasonably throughout;
- (b) the Vendor having procured the Target to give and prove a good title to the Property in accordance with the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong);
- (c) the Company having complied with the Listing Rules and/or any other rules and regulations of the Stock Exchange or other government or authority(ies) with respect to the transactions contemplated under the Provisional Agreement and/or the Formal Agreement (as the case may be); and
- (d) all the representations, undertakings and warranties given by the Vendor under the Provisional Agreement and/or the Formal Agreement (as the case may be) are and shall remain true, accurate, correct and complete and not misleading in all material aspects up to Completion.

If any of the above conditions is not fulfilled (or waived by the Purchaser) on or before the Completion Date, the Purchaser shall be entitled to cancel the transaction under the Provisional Agreement or the Formal Agreement (as the case may be) whereupon the Initial Deposit, the Further Deposit and the Second Further Deposit shall be returned by the Vendor to the Purchaser and neither party shall have any further claims against the other.

If the conditions above are fulfilled but the Purchaser fails to complete the Acquisition on the Completion Date, the Vendor shall be entitled to terminate the Provisional Agreement or the Formal Agreement (as the case may be) and to forfeit the Initial Deposit and the Further Deposit but shall refund the Second Further Deposit to the Purchaser without further claim against the Purchaser.

If the conditions above are fulfilled but the Vendor fails to complete the Acquisition on the Completion Date, the Vendor shall immediately compensate the Purchaser with a refund of the Initial Deposit, the Further Deposit (if paid) and the Second Further Deposit (if paid) together with a sum equivalent to the Initial Deposit and the Further Deposit (if paid) as liquidated damages. Neither party shall have any further claim against the other.

Completion:

Completion shall take place on 25 August 2017 or within 40 days from the date of the Formal Agreement (whichever is the earlier or such later date as the Vendor and the Purchaser may agree in writing).

INFORMATION ABOUT THE TARGET AND THE PROPERTY

The Target is principally engaged in property investment. The principal asset of the Target is the Property and the principal liabilities of the Target are the Sale Debt and a mortgage loan secured by the Property.

The Property is for residential and commercial use and has a total gross floor area of about 9,100 sq.ft. The Property is currently leased to independent third parties with total rental of HK\$516,500 per month.

As at 31 December 2016, based on the unaudited financial statements of the Target, the net liability of the Target amounted to approximately HK\$17.8 million, represented by the Property with carrying value of approximately HK\$144.9 million, the amount owed by the Target to the Vendor and its associates of approximately HK\$94.1 million and the outstanding mortgage loan of approximately HK\$67.9 million. Pursuant to the terms of the Provisional Agreement, the Vendor shall procure full repayment of the mortgage loan on or before the Completion Date and that valid release of the mortgage over the Property will be delivered to the Purchaser within 21 days from the Completion Date.

Set out below are certain financial information of the Target based on its financial statements:

	Year ended 31 December 2016 <i>HK\$'000</i> <i>(unaudited)</i>	Year ended 31 December 2015 <i>HK\$'000</i> <i>(audited)</i>
Loss before tax	2,325	2,320
Loss after tax	2,584	2,694

REASONS FOR 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.

The Directors believe that the Property will offer potential capital appreciation to the Group and the Acquisition will provide future stable income for the Group. Taking this into account, the Directors consider the terms of the Acquisition including the Consideration are fair and reasonable and the Acquisition is in the interests of the Shareholders and the Company as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Debt by the Purchaser from the Vendor pursuant to the terms of the Provisional Agreement or the Formal Agreement (as the case may be)
“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”	completion of the Acquisition
“Completion Date”	the date on which Completion takes place in accordance with the terms of the Provisional Agreement or the Formal Agreement (as the case may be)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$228 million for the Acquisition
“Director(s)”	director(s) of the Company
“Due Diligence Review”	the due diligence review to be performed by the Purchaser on the business, financial, legal and other aspects of the Target as well as the title to the Property
“Formal Agreement”	the formal sale and purchase agreement to be signed between the Purchaser and the Vendor in relation to the Acquisition
“Further Deposit”	the deposit in the sum of HK\$17,175,000 to be paid by the Purchaser to the Vendor within 10 days from the date of the Provisional Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Deposit”	the deposit in the sum of HK\$5,625,000 paid by the Purchaser to the Vendor upon signing of the Provisional Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Property”	Ground Floor, 1st Floor including Flat Roof, 2nd Floor, 3rd Floor, 4th Floor, 5th Floor and Roof No. 1B Davis Street, Hong Kong and Ground Floor, 1st Floor including Flat Roof, 2nd Floor, 3rd Floor, 4th Floor, 5th Floor and Roof No. 1C Davis Street, Hong Kong
“Provisional Agreement”	the provisional agreement dated 18 May 2017 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Purchaser”	Jumbo Rainbow Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Debt”	all debts owing by the Target to the Vendor and its associates (if any) at Completion
“Sale Share”	1 issued share in the capital of the Target, representing the entire issued share capital of the Target
“Second Further Deposit”	the second further deposit in the sum of HK\$22,800,000 to be paid by the Purchaser to the Vendor on 15 July 2017 or upon the signing of the Formal Agreement, whichever is the earlier
“Shareholder(s)”	holder(s) of the ordinary share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Silver Prosper Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Vendor before Completion
“Vendor”	Ocean Target Group Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. ft.”	square feet

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

Hong Kong, 18 May 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