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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 THE ENTERING INTO OF AN AGREEMENT FOR, AMONG OTHERS, THE REDEVELOPMENT OF A LAND PARCEL IN HONG KONG; OPERATION AND MANAGEMENT OF SENIOR HOUSING FACILITY AND RESIDENTIAL CARE HOME FOR THE ELDERLY; AND ENGAGEMENT OF CONSULTANCY SERVICES**

#### **THE AGREEMENT**

On 7 October 2016, the Consultant (a wholly-owned subsidiary of the Company), HKMC and HKMC Holding entered into the Agreement, pursuant to which the Consultant agreed to grant a Loan to HKMC or HKMC Holding, in consideration for which HKMC and HKMC Holding agreed to appoint the Consultant to provide consultancy services to and participate in the Project, namely to: (i) redevelop the Land which comprises the Development; and (ii) operate the Facility Building as a senior housing facility and a RCHE.

The Project shall mainly be funded by the Loan, income generated from Resident Deposits and the Operating Revenue. The capital commitment by the Consultant to the Project shall include the Loan which shall in no event exceed HK\$800 million and an estimated working capital of HK\$50 million. The Consultant shall receive certain fees in respect of the Project.

Upon completion of the Development, the Consultant, HKMC and HKMC Holding contemplate that the Consultant shall operate and/or manage (or engage a third party to operate and/or manage) the senior housing facility and RCHE at the Facility Building, and HKMC and/or HKMC Holding shall operate and manage the Church Building.

## **THE SIDE LETTER**

On 7 October 2016, the Consultant, General Conference entered into the Side Letter, pursuant to which General Conference has, among others, irrevocably and unconditionally guaranteed that no later than 10 months from the date of full payment of the Land Premium, General Conference shall, as the legal and beneficial owner of the Land, transfer the Land to HKMC Holding; and at any time before the aforementioned transfer of Land has become effective, General Conference has irrevocably authorised HKMC Holding to redevelop the Land as contemplated by the Agreement.

## **THE SECURITY DEED**

On 7 October 2016, General Conference, as legal and beneficial owner of the Charged Properties, granted the Consultant the Charge over the Charged Properties as security for the performance of the obligations of HKMC and HKMC Holding under the Agreement and General Conference under the Side Letter. The Charge shall remain effective until (i) General Conference has transferred the Land to HKMC Holding pursuant to the Side Letter; and (ii) the Consultant has recouped the Loan and the Standard Fee.

## **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios for the transactions contemplated under the Agreement exceeds 5% but all of them are less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

## **THE AGREEMENT**

### **Date**

7 October 2016

### **Parties**

- (1) Consultant;
- (2) HKMC; and
- (3) HKMC Holding

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, HKMC, HKMC Holding and their respective ultimate beneficial owner(s) are Independent Third Parties.

## **Subject matter**

Pursuant to the Agreement, the Consultant agreed to grant the Loan to HKMC or HKMC Holding, in consideration for which HKMC and HKMC Holding agreed to appoint the Consultant to provide consultancy services to and participate in the Project, namely to: (i) redevelop the Land which comprises the Development; and (ii) operate the Facility Building as a senior housing facility and a RCHE.

The Project shall mainly be funded by the Loan, income generated from Resident Deposits, and the Operating Revenue. The capital commitment by the Consultant to the Project shall include the Loan, which shall in no event exceed HK\$800 million, and an estimated working capital in region of HK\$50 million. The Consultant shall receive certain fees in respect of the Project (which are more particularly described in the paragraph headed “Fees to be received by the Consultant” below).

Upon completion of the Development, the Consultant, HKMC and HKMC Holding contemplate that the Consultant shall operate and/or manage (or engage a third party to operate and/or manage) the senior housing facility and RCHE at the Facility Building; and HKMC and/or HKMC Holding shall operate and manage the Church Building.

## **Certain duties and rights of the Consultant**

Under the Agreement, the Consultant shall, among others:

- provide or procure the provision of the Loan to finance the Development Expenditure; and
- manage, co-ordinate and supervise the carrying out of the Development and/or the Project; in addition to the Loan, provide the initial working capital for the senior housing facility and RCHE; and own all intellectual property rights with respect to the Facility Building subject to the grant of a royalty-free license to HKMC for its use of any of such intellectual property rights as and when the Consultant and its nominees are no longer participants in the Project.

## **Fees to be received by the Consultant**

It is contemplated that the Consultant will receive a service fee comprising the Standard Fee, and certain incentive fees.

## **Conditions**

The Consultant’s due observance and performance of its duties and obligations under the Agreement is subject to the satisfaction of, among others, the following conditions:

- (i) General Conference to provide the Side Letter that it shall transfer the Land to HKMC Holding within 10 months upon full payment of the Land Premium and that it shall, pending such transfer to be effective, authorise HKMC Holding to redevelop the Land as contemplated by the Agreement;
- (ii) (if applicable) the Consultant having complied with the requirements set out by the Stock Exchange or any governmental or competent regulatory authorities or such requirements under the Listing Rules for the transactions contemplated under the Agreement;

- (iii) an individual nominated by the Consultant having been validly and effectively appointed as a member of the board of trustees of each of HKMC Holding and HKMC; and
- (iv) General Conference to grant the Security Deed in favour of the Consultant, to register the Security Deed at the Land Registry against each of the Charged Properties, and to deliver to an Independent Third Party the original title deeds of the Charged Properties.

If the conditions (i) to (iv) above have not been fulfilled (or as the case maybe, waived by the Consultant except that condition (ii) cannot be waived in any event) within 3 months from the due date of payment of the deposit for the Land Premium (or such other date as the parties thereto may agree in writing), the Agreement (other than certain saving provisions) shall lapse. In the event the Agreement lapses and the Land Premium or (where applicable) the deposit for the Land Premium has been paid by the Consultant, HKMC shall repay such amount in full and without deduction to the Consultant.

As at the date of this announcement, conditions (i) and (iii) have been fulfilled.

### **Information on the Land**

As at the date of this announcement, the Land is legally and beneficially owned by General Conference.

Within 10 months upon full payment of the Land Premium by the Consultant, General Conference shall transfer the Land to HKMC Holding.

The Development is expected to be completed in 2020.

### **THE SIDE LETTER**

#### **Date**

7 October 2016

#### **Parties**

- (1) Consultant; and
- (2) General Conference

#### **Subject matter**

Pursuant to the Side Letter, General Conference has, among others, irrevocably and unconditionally guaranteed that no later than 10 months from the date of full payment by the Consultant of the Land Premium, General Conference shall, as the legal and beneficial owner of the Land, transfer the Land to HKMC Holding; and at any time before the aforementioned transfer of Land has become effective, General Conference has irrevocably authorised HKMC Holding to redevelop the Land as contemplated by the Agreement.

## **THE SECURITY DEED**

### **Date**

7 October 2016

### **Parties**

- (1) Consultant; and
- (2) General Conference

### **Subject matter**

Pursuant to the Security Deed, General Conference has, as legal and beneficial owner of the Charged Properties, granted in favour of the Consultant a Charge as a continuing security to the Consultant for obligations of HKMC and HKMC Holding under the Agreement and General Conference under the Side Letter.

The Charge shall be discharged when General Conference has transferred the Land to HKMC Holding under the Side Letter, and the Consultant has recouped the Loan and the Standard Fee.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT**

The Company is an investment holding company with its subsidiaries principally engaged in construction and engineering, insurance and investment, property, senior housing, car dealership and enterprise and network solutions.

Since 2011, the Group has been engaged in the senior housing business in the US. As of today, the Group owns 23 senior housing facilities in the US providing 1,017 assisted living beds, 733 memory care beds and 119 skilled nursing beds to serve different needs of the aged population. The Group has been looking for expanding opportunities in the senior housing business sector. The Directors believe that the trend of aging population is not only prevalent in the US but also in Hong Kong, and anticipate that the demand for senior housing facility in Hong Kong is going to increase. As such, the Directors consider that it is an opportune time to enter into the Agreement as the Group can leverage on its senior housing business experience in the US and extend its senior housing business to Hong Kong.

Taking into account the above factors, the Directors consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ON THE COUNTERPARTIES**

HKMC and HKMC Holding are companies incorporated in Hong Kong limited by guarantee and under the instructions of Seventh-day Church Hong Kong. As at the date of this announcement, save and except entering into the Agreement, HKMC and HKMC Holding have no material operations.

General Conference is a religious organisation and Seventh-day Church Hong Kong is the Hong Kong branch church of General Conference.

## **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios for the transactions contemplated under the Agreement exceeds 5% but all of them are less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Agreement”	an agreement dated 7 October 2016 entered into between the Consultant, HKMC and HKMC Holding
“Board”	the board of Directors
“Charge”	a legal charge granted by General Conference in favour of the Consultant pursuant to the Security Deed
“Church Building”	a church building to be built and erected on the Land
“Charged Properties”	10 properties as set out in Schedule 2 to Security Deed, of which General Conference is the legal and beneficial owner
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 25)
“Consultant”	NC1 Sandhill Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Development”	the development of the Land which comprises the demolition works of all subsisting buildings structures erected on the Land and the building works of the Facility Building and the Church Building on the Land
“Development Expenditure”	the aggregate of the items of expenditure in relation to the Development, including, among others, the Land Premium and the construction costs of the Facility Building and the Church Building
“Director(s)”	director(s) of the Company

“Facility Building”	a 20-storey facility building comprising a senior housing facility and a RCHE to be built and erected on the Land
“General Conference”	General Conference Corporation of Seventh-day Adventists, an organisation incorporated in the US and registered in Hong Kong as a non-Hong Kong company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), and, as at the date of this announcement, the legal and beneficial owner of the Land
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKMC”	Hong Kong-Macao Conference Limited, a company limited by guarantee and incorporated in Hong Kong
“HKMC Holding”	Hong Kong-Macao Conference Holding Limited, a company limited by guarantee and incorporated in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) independent of the Company and its connected persons
“Land”	the land parcel described as The Remaining Portion of Inland Lot No.8280, located at Nos. 17A-17B Ventris Road, Hong Kong
“Land Premium”	the premium and administration fee payable to the Government of Hong Kong on the Land exchange/lease modification
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	interest-free loan(s) up to HK\$800 million to be granted from the Consultant or its nominee(s) to HKMC Holding or HKMC to finance the Development Expenditure
“Operating Revenue”	the monthly fees to be collected from the residents or prospective residents of the Facility Building and other income arising out of the operations of the Facility Building
“Project”	the project contemplated by the parties to the Agreement, i.e. to, amongst others, (i) redevelop the Land which comprises the Development; and (ii) operate the Facility Building as a senior housing facility and a RCHE

“RCHE”	residential care home for the elderly licensed under the Residential Care Homes (Elderly Persons) Ordinance (Chapter 459 of the Laws of Hong Kong)
“Resident Deposits”	deposits to be collected from the residents or prospective residents of the Facility Building
“Security Deed”	a security deed dated 7 October 2016 granted by General Conference in favour of the Consultant
“Seventh-day Church Hong Kong”	Hong Kong-Macao Conference of Seventh-day Adventists, a society exempt from registration under the Societies Ordinance (Chapter 151 of the Laws of Hong Kong)
“Side Letter”	a letter dated 7 October 2016 entered into between Consultant and General Conference
“Share(s)”	ordinary share(s) of HK\$1.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Standard Fee”	A fee payable to the Consultant which is equivalent to a percentage of the Development Expenditure (subject to adjustment)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	transactions contemplated under the Agreement
“US”	The United States of America
“%”	per cent

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

Hong Kong, 7 October 2016

*As at the date of this announcement, the Board of the Company 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 and Professor Poon Chung Kwong as Independent Non-Executive Directors; Dr Ko Chan Gock, William and Mr Chow Vee Tsung, Oscar as Non-Executive Directors.*

\* *for identification purpose only*