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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)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF WHOLLY-OWNED SUBSIDIARIES

THE FRAMEWORK AGREEMENT

After the Stock Exchange trading hours on 1 June 2017, the Share Vendor (an indirect wholly-owned subsidiary of the Company), the Company, Chinaford, Dolce Field, CCPD, CSED and Chevalier Chengdu entered into the Framework Agreement with Yango International and Yango City, pursuant to which the Share Vendor and the Company have conditionally agreed to sell and Yango International and Yango City have conditionally agreed to purchase the Sale Shares at a net consideration of RMB746 million (equivalent to approximately HK\$843 million) (subject to downward adjustment required to be made based on the financial statements of the Disposal Group as at Completion as prescribed in the Framework Agreement) and the Sale Loans at a consideration of RMB824 million (equivalent to approximately HK\$930 million).

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Disposal, notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 June 2017.

On 20 March 2017, the Share Vendor (an indirect wholly-owned subsidiary of the Company) and Chengdu Fijing entered into a memorandum of understanding in relation to the sale and purchase of the Disposal Group. In this connection, the Group has received Earnest Money of US\$4 million and RMB22 million (equivalent to approximately HK\$56 million in aggregate) from Yango International, Yango City and Chengdu Fijing. The Board is pleased to announce that after the Stock Exchange trading hours

on 1 June 2017, the Share Vendor, the Company, Chinaford, Dolce Field, CCPD, CSED and Chevalier Chengdu entered into the Framework Agreement with Yango International and Yango City, pursuant to which the Share Vendor and the Company have conditionally agreed to sell and Yango International and Yango City have conditionally agreed to purchase the Sale Shares (representing the entire issued share capital of the Targets) at a net consideration RMB746 million (equivalent to approximately HK\$843 million) (subject to downward adjustment required to be made based on the financial statements of the Disposal Group as at Completion as prescribed in the Framework Agreement) and the Sale Loans at a consideration of RMB824 million (equivalent to approximately HK\$930 million) in cash. Details of the Framework Agreement are set out below.

THE FRAMEWORK AGREEMENT

Date

1 June 2017

Parties

- (i) the Share Vendor;
- (ii) the Company;
- (iii) Chevalier Chengdu;
- (iv) Chinaford;
- (v) Dolce Field;
- (vi) CCPD;
- (vii) CSED;
- (viii) Yango International; and
- (ix) Yango City.

Yango International is principally engaged in investment holding and is a wholly-owned subsidiary of Yango City, a company listed on the Shenzhen Stock Exchange (Stock code: 000671) principally engaged in property development and commodities trading. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yango International, Yango City and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of

The assets to be disposed of comprise the Sale Shares and the Sale Loans.

The Sale Shares represent the entire issued share capital of each of Chinaford and Dolce Field. The Sale Loans represent the net amounts owing by the Disposal Group to the Remaining Group as at Completion.

The Sale Shares shall be sold together with all rights, benefits and obligations attached thereto as at the Reference Date.

Considerations and payment terms

A deposit of RMB150 million (equivalent to approximately HK\$170 million) (the “Deposit”) shall be paid by Yango International or any party designated by Yango International to the Share Vendor or any party designated by the Share Vendor within 5 business days after the signing of the Framework Agreement and the Group shall simultaneously refund the Earnest Money in full to Yango International and Yango City.

The aggregate consideration for the Sale Shares and the Sale Loans is RMB1,681 million (equivalent to approximately HK\$1,899 million). Pursuant to the Framework Agreement, the Share Vendor shall bear the liabilities of the Disposal Group in the amount of approximately RMB111 million (equivalent to approximately HK\$126 million), which amount shall be deducted from the aggregate consideration payable for the Sale Shares. The net consideration of approximately RMB1,570 million (equivalent to approximately HK\$1,773 million) shall be payable by Yango International and Yango City to the Share Vendor in cash in the following manner:

- (i) an initial sum of RMB1,124 million (equivalent to approximately HK\$1,269 million), representing the Shares Consideration of RMB746 million (equivalent to approximately HK\$843 million) and the initial installment of RMB378 million (equivalent to approximately HK\$426 million) for the Loans Consideration, shall be payable upon Completion, and the Group shall simultaneously refund the Deposit in full to Yango International and Yango City;
- (ii) a further sum of RMB223 million (equivalent to approximately HK\$252 million) (the “Second Installment”), representing the further installment for the Loans Consideration, shall be payable on the earlier of (a) the renewal of the property ownership certificate of Land No. 2 (the “Certificate”) and there is no material change in the usage and area of Land No.2; or (b) the obtaining of the planning permit of construction engineering works, working permit of construction works or pre-sale permit of the commodity housing of Land No.2;
- (iii) the remaining balance of the Loans Consideration (the “Third Installment”) of RMB223 million (equivalent to approximately HK\$252 million) shall be payable upon (a) the Share Vendor confirming that all expenses of the Disposal Group unrelated to the Property having been settled; (b) the Share Vendor confirming clearance of all outstanding taxation issues (and settlement of related expenses, if any) of the Disposal Group; and (c) CCPD and CSED having terminated certain contracts relating to the business of the Disposal Group as agreed in the Framework Agreement and settled all related expenses.

If the amount of outstanding payables to contractors and other creditors (the “Payables”) of the Disposal Group as at the Completion Date is larger than that as at the Reference Date, the Shares Consideration referred to in (i) above shall be adjusted downwards by the amount of the excess of the Payables. For avoidance of doubt, if the amount of Payables as at the Completion Date is less than that as at the Reference Date, no adjustment will be made to the Shares Consideration.

The considerations were arrived at after arm’s length negotiations among Yango International, Yango City and the Share Vendor having taken into account the indicative valuation of the Property by an independent professional valuer of RMB1,362 million (equivalent to approximately HK\$1,539 million) as at 31 May 2017, the net liabilities position of the Disposal Group and the net debts owing by the Disposal Group to the Remaining Group as at the Reference Date.

Other terms

To secure the payment obligations of Yango International and Yango City for the Second Installment and the Third Installment, Yango International, Yango City and the Share Vendor or its designee shall execute necessary securities document on or before Completion to the effect that 30% of the Sale Shares and 30% of the issued shares of each of CCPD and CSED shall be charged in favour of the Share Vendor. The share charges shall be released in respect of 15% of the Sale Shares and the issued shares of each of CCPD and CSED upon the full settlement of each of the Second Installment and the Third Installment, respectively.

Conditions precedent

Completion is subject to fulfillment of the following conditions:

- (i) the Vendors having complied with the Listing Rules and/or any other rules and regulations of the Stock Exchange including obtaining Shareholders’ approval and the approval of Stock Exchange with respect to the Framework Agreement and the transactions contemplated thereunder; and
- (ii) Yango International and Yango City having completed an audit and assessment on the Disposal Group in compliance with the Shenzhen Listing Rules, and Yango City having obtained its shareholders’ approval with respect to the Framework Agreement and the transactions contemplated thereunder and having complied with the announcement requirement pursuant to the Shenzhen Listing Rules.

If any of the conditions set out in the Framework Agreement is not fulfilled, the Framework Agreement will become null and void and of no further effect. The Share Vendor shall return the Deposit to Yango International and Yango City within 10 business days without any interest and none of the parties shall have any claim against any of the other parties for costs, damages, compensation or otherwise.

In the event that the Group failed to comply with or breached the terms and conditions and the settlement obligations as prescribed in the Framework Agreement, an additional sum of RMB150 million (equivalent to approximately HK\$170 million) together with the Deposit shall be paid or refunded to Yango International, while if Yango International failed to comply with the terms and conditions and

the settlement obligation (including the payment schedule as prescribed in the Framework Agreement) (the “Breach”), the Group may, in its sole discretion, forfeit the Deposit and Yango International shall indemnify the Group for additional losses and damages, if any, in excess of the Deposit as a result of the Breach.

Completion

Completion shall take place within 5 business days upon the fulfillment of the conditions precedent. Upon Completion, the Disposal Group will cease to be subsidiaries of the Company, the Group will cease to hold any interest in the Targets and the Disposal Group will be deconsolidated from the consolidated financial statements of the Group.

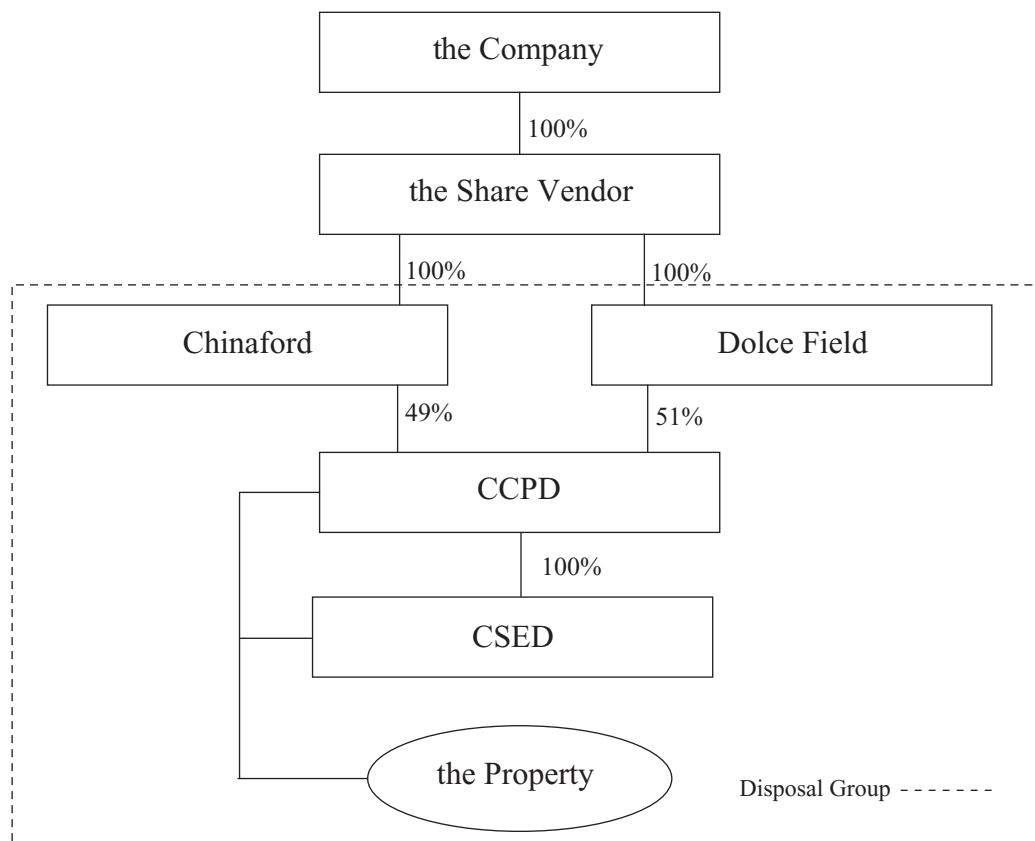
INFORMATION ABOUT THE DISPOSAL GROUP

Chinaford and Dolce Field are principally engaged in investment holding and are indirect wholly-owned subsidiaries of the Company. The CCPD Group is principally engaged in a property development project in Chengdu of the PRC, namely Chateau Ermitas, and is the holders of three parcels of land.

The development of Chateau Ermitas comprises two phases. Phase I, which was built on Land No.1 and Land No.3, includes villas, apartments, car parking spaces and units for commercial use, has been completed and launched for sale in 2013. As at the date of the Agreement, neither the development at Phase II of the project nor the construction works at Land No. 2 has commenced.

As at Reference Date, there are 47 units of villas, 51 units of apartments and 318 units of car parking spaces remained unsold under Phase I of Chateau Ermitas.

The simplified organisation structure of the Disposal Group immediately prior to Completion is as follows:



Set out below are the unaudited combined results of the Disposal Group comprising Chinaford, Dolce Field, CCPD and CSED prepared under Hong Kong Financial Reporting Standards:

	Year ended 31 March	
	2016	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Loss before tax	28,328	4,795
Loss after tax	28,506	4,795

As at the Reference Date, the unaudited combined net liabilities of the Disposal Group amounted to approximately HK\$184 million and the net debts owing by the Disposal Group to the Remaining Group amounted to approximately RMB824 million (equivalent to approximately HK\$930 million).

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

For illustrative purposes, assuming Completion took place on the Reference Date, based on the unaudited combined results of the Disposal Group, it is expected that the Group would record a gain on the Disposal of approximately HK\$0.5 billion, representing the difference between (i) the net Shares Consideration and the Loans Consideration, net of estimated transaction costs and expenses directly attributable thereto of approximately HK\$193 million; and (ii) the carrying value of the Group's investment in the Disposal Group of HK\$160 million as at the Reference Date; and (iii) the face value of the Sale Loans of approximately RMB824 million (equivalent to approximately HK\$930 million) as at the Reference Date.

The above financial effects are for illustrative purposes only. The actual gain or loss as a result of the Disposal to be eventually recorded by the Group is subject to the financial position of the Disposal Group as at Completion and therefore may be different from the illustrative amount mentioned above.

The Disposal will generate cash inflow to the Group and enhance its liquidity and working capital position. The proceeds from the Disposal is estimated to be approximately RMB1,570 million (equivalent to approximately HK\$1,773 million) and are intended to be used for general working capital and/or future investment opportunities of the Group as and when appropriate.

Taking into account the cash inflow to be generated from the Disposal and the expected gain arising from the Disposal as described above, the Directors consider that the Disposal represents a good opportunity for the Company to realise its investment. The Directors also consider the terms of the Framework Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the SGM.

A circular containing, among other things, details of the Disposal, notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 22 June 2017.

DEFINITIONS

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

“Board”	the board of Directors
“BVI”	British Virgins Islands
“CCPD”	成都其士房地產發展有限公司 (Chengdu Chevalier Property Development Company Limited*), a company established in the PRC and is owned as to 49% by Chinaford and as to 51% by Dolce Field
“CCPD Group”	CCPD and CSED
“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), being one of the vendors of the Sale Loans
“Chengdu Fujing”	成都福璟泰置業有限公司, a company established in the PRC and an indirect wholly-owned subsidiary of Yango City
“Chevalier Chengdu”	其士(成都)投資管理有限公司 (Chevalier (Chengdu) Investment Management Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company, being another vendor of the Sale Loans
“Chinaford”	Chinaford Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Share Vendor prior to Completion
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loans pursuant to the terms and conditions of the Framework Agreement
“Completion Date”	the date on which Completion takes place
“CSED”	成都聖華房地產開發有限公司 (Chengdu Shenghua Real Estate Development Company Limited*), a company established in the PRC and a wholly-owned subsidiary of CCPD
“Directors”	the directors of the Company

“Disposal”	the proposed disposal of the Sale Shares by the Share Vendor and the Sale Loans by the Company and Chevalier Chengdu to Yango International and Yango City in accordance with the terms of the Framework Agreement
“Disposal Group”	together, the Targets and the CCPD Group
“Dolce Field”	Dolce Field Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Share Vendor prior to Completion
“Earnest Money”	the earnest money received by the Group from Yango International, Yango City and Chengdu Fujing under the memorandum of understanding dated 20 March 2017
“Framework Agreement”	the framework agreement dated 1 June 2017 entered into among the Share Vendor, the Company, Chinaford, Dolce Field, CCPD, CSED, Chevalier Chengdu, Yango International and Yango City for the sale and purchase of the Sale Shares and the Sale Loans
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land No. 1”	a parcel of land of 34,752 square metres situated in 成都雙流縣萬安鎮東林村 (Chengdu Shuangliu County Wanan Town Donglin Village*)
“Land No. 2”	a parcel of land of 26,846 square metres situated in 成都雙流縣華陽街道二江寺社區 (Chengdu Shuangliu County Huayang Street Erjiangsi Community*)
“Land No. 3”	a parcel of land of 81,335 square metres situated in 成都雙流縣華陽街道辦事處 (Chengdu Shuangliu County Huayang Street Office*)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans Consideration”	the consideration payable by Yango International and Yango City for the sale and purchase of the Sale Loans pursuant to the Framework Agreement
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan

“Property”	together, Land No.1, Land No. 2, Land No.3 and the residential or commercial properties erected thereon (i.e. Phase I of the development of Chateau Ermitas)
“Reference Date”	31 December 2016
“Remaining Group”	the Group immediately after Completion
“Sale Loans”	net amounts due by the Disposal Group to the Remaining Group as at Completion
“Sale Shares”	the entire issued share capital of each of the Targets
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Framework Agreement and the transactions contemplated thereunder
“Shares Consideration”	the net consideration payable by Yango International for sale and purchase of the Sale Shares pursuant to the Framework Agreement
“Shareholder(s)”	holder(s) of the ordinary share(s) in the capital of the Company
“Share Vendor”	Richsky International Limited, a company incorporated in Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Shenzhen Listing Rules”	the Rules Governing Listing of Stocks on Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Targets”	Chinaford and Dolce Field
“Vendors”	Share Vendor, the Company and Chevalier Chengdu
“Yango City”	陽光城集團股份有限公司 (Yango City Group Co., Ltd*), a company established in the PRC and the issued shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000671), being one of the purchasers for the Sale Loans
“Yango International”	Yango International Investment Group Limited, a company established in Hong Kong and an indirect wholly-owned subsidiary of Yango City, being the purchaser for the Sale Shares and one of the purchasers for the Sale Loans

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this announcement and for illustrative purpose only, conversions of RMB to HK\$ are based on the exchange rate of RMB1.00 = HK\$1.13 and conversions of US\$ to HK\$ are based on the exchange rate of US\$1.00 = HK\$7.80. No representation is made that any amounts in RMB or HK\$ or US\$ can be or could have been converted at the relevant dates at the above rate or any other rates or at all.

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

Hong Kong, 1 June 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*