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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 AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF TALENT LUCK LIMITED**

#### **THE AGREEMENT**

After trading hours of the Stock Exchange on 30 August 2017, the Vendors and the Purchaser entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares at a cash Consideration of HK\$610,000,000 (subject to adjustments required to be made based on the Completion Accounts as prescribed in the Agreement).

#### **LISTING RULES IMPLICATIONS**

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. To the best of the knowledge of the Directors, the Purchaser is the spouse of Dr. Chow who is the controlling shareholder of the Company holding 189,490,248 Shares (representing approximately 62.76% of the entire issued share capital of the Company) as at the date of the Agreement. By virtue of the Purchaser being an associate of Dr. Chow, the Disposal also constitutes a connected transaction for the Company which is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Dr. Chow and his associates shall abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Shareholder has a material interest in the Disposal and accordingly, no other Shareholder is required to abstain from voting on the ordinary resolution to approve the Disposal at the SGM.

The IBC, comprising all the independent non-executive Directors, has been established to give a recommendation to the Independent Shareholders on the terms of the Disposal and on voting. The IFA will be appointed to advise the IBC and the Independent Shareholders in this regard. A circular containing, among other things, details of the Disposal, the recommendation of the IBC, the advice of the IFA, the notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 20 September 2017.

The Board is pleased to announce that after trading hours of the Stock Exchange on 30 August 2017, the Vendors and the Purchaser entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares at a cash Consideration of HK\$610,000,000 (subject to adjustments required to be made based on the Completion Accounts as prescribed in the Agreement). The principal terms of the Agreement are set out below.

## **THE AGREEMENT**

### **Date**

30 August 2017

### **Parties**

- (i) CIH (BVI) Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, being one of the Vendors;
- (ii) Lucky Fine Limited, a Company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, being another Vendor; and
- (iii) Madam Miyakawa Michiko, being the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is the spouse of Dr. Chow who is the controlling shareholder of the Company holding 189,490,248 Shares (representing approximately 62.76% of the entire issued share capital of the Company) as at the date of the Agreement. Accordingly, the Purchaser is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules.

### **Assets to be disposed of**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares. The Sale Shares, representing a 100% equity interest in the Target, will be sold free from all encumbrances and together with the right to receive all dividends and distributions declared, made or paid after the Completion Date. Details of the Target are set out in the section headed "Information of the Target" below.

### **Consideration and payment terms**

The Consideration of HK\$610,000,000 (subject to adjustments as described below) for the Sale Shares is payable by the Purchaser to the Vendors according to the following schedule in cash:

- (i) HK\$1,000,000, being part of the Deposit, upon signing of the Agreement;
- (ii) HK\$29,500,000, being the remaining balance of the Deposit, within 7 days from the date of the Agreement; and

- (iii) the remaining balance of the Consideration (calculated based on the Completion Accounts as described below), upon Completion,

provided that if the Purchaser shall fail to pay the remaining balance of the Deposit within 7 days from the date of the Agreement, that part of the Deposit of HK\$1,000,000 already paid shall become non-refundable and be absolutely forfeited by the Vendors as liquidated damages, without prejudice to the Vendors' further rights and remedies under the Agreement, by law, in equity or otherwise.

The balance of the Consideration payable at Completion shall be HK\$579,500,000, plus the aggregate amount of the following tangible assets of the Target: (i) accounts receivables, if any; (ii) utility deposits, management fee deposits, rates, government rent and other expenses prepaid in relation to the Property; and (iii) cash and bank balance, if any, and deducting the aggregate amount of liabilities and payables of the Target, if any, as shown in the Completion Accounts to be delivered by the Vendors to the Purchaser before Completion.

The Company is authorised by the Vendors to be their agent for the purposes of receiving all moneys payable to the Vendors pursuant to the Agreement including the Deposit and the remaining balance of the Consideration.

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the indicative valuation of the Property of HK\$608,000,000 as at 30 June 2017 conducted by Crowe Horwath (HK) Consulting and Valuation Limited, an independent professional valuer, using direct comparison approach.

### **Conditions**

Completion is subject to fulfillment or waiver of the following conditions:

- (i) the Vendors having shown and proved that the Target has a good title to the Property and the Target having given title to the Property;
- (ii) the Target is the sole legal and beneficial owner of the Property which is free from all encumbrances;
- (iii) there having been no outstanding notices, orders, complaints or requirements issued by any government body, authority or department in respect of the Property or requiring compliance with the terms of the government lease in respect of the Property;
- (iv) the Target having no liabilities or indebtedness (whether actual or contingent) at Completion other than (a) all deferred tax liabilities, if any; (b) rental deposit received, if any, prepayment received (including but not limited to rental received in advance) and accrued accounts payable; and (c) accrued expenses and other accounts payable in the ordinary course of business, if any;
- (v) there having been no material breach of the warranties given by the Vendors from the date of the Agreement up to and inclusive of the Completion Date;
- (vi) the Purchaser having reviewed the Accounts of the Target and the result thereof is reasonably satisfactory to the Purchaser;
- (vii) the Purchaser having conducted and completed legal due diligence on the Target and the result thereof is reasonably satisfactory to the Purchaser;

- (viii) 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 Agreement;
- (ix) the warranties given by the Vendors are and shall remain true, correct and not misleading in all material aspects as at the Completion Date;
- (x) the Target does not have any existing mortgage(s) at the date of the Agreement and shall remain so up to and inclusive of the Completion Date; and
- (xi) the Target does not have any outstanding indebtedness or liabilities owing to the Vendors (and their respective associates) as at the Completion Date.

If any of the above conditions are not fulfilled, the Purchaser may at its absolute discretion at any time before Completion waive all the conditions (except condition (viii)) above or rescind this Agreement by notice in writing to the Vendors. Upon rescission of the Agreement, the Vendors shall refund the Deposit to the Purchaser without interest, costs or compensation within five (5) Business Days upon demand, and neither the Purchaser nor the Vendors shall have any further claims against each other, save for any antecedent breaches.

## **Completion**

Completion shall take place within fourteen (14) days or such other date as agreed between the Vendors and the Purchaser in writing after fulfillment (or waiver) of the conditions set out in the Agreement. In the event the conditions above have been fulfilled or waived but Completion does not take place (i) due to the default of the Vendors, the Deposit shall be returned to the Purchaser and the Purchaser shall be entitled to recover from the Vendors a sum equivalent to the Deposit as liquidated damages; or (ii) due to the default of the Purchaser, the Deposit shall be absolutely forfeited by the Vendors as liquidated damages.

Upon Completion, the Group will cease to hold any interest in the Target and the Target will be deconsolidated from the consolidated financial statements of the Group effective from the Completion Date.

## **INFORMATION OF THE TARGET**

The Target is a wholly-owned subsidiary of the Vendors and is principally engaged in property holding. The principal asset of the Target is the Property which is a residential property with gross floor area of approximately 9,500 square feet located at 9 Henderson Road, Jardine's Lookout, Hong Kong.

Set out below are the unaudited financial information of the Target prepared under Hong Kong Financial Reporting Standards and extracted from the audited consolidated financial statements of the Group for each of the two years ended 31 March 2016 and 2017:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Loss before and after taxation	<b>3,944</b>	<b>7,643</b>

As at 26 August 2017, the carrying value of the Group's investment in the Sale Shares amounted to HK\$514,000,000 which included the carrying value of the Property stated at fair value of HK\$606,000,000.

## **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.

The Property, which was acquired by the Group in 1993, had been provided to Dr. Chow as his residence as part of his remuneration package during his tenure as the chairman and co-chairman of the Company. Dr. Chow retired and did not offer himself for re-election as a Director at the annual general meeting of the Company held on 30 August 2017. The Company considered it appropriate to sell the Property to the Purchaser such that the Group would be able to realise the capital appreciation in its investment in the Property while Dr. Chow will continue to reside in the Property after his retirement.

Based on the carrying value of the Group's investment in the Sale Shares and the Consideration, it is expected that the Group would record a gain on the Disposal of approximately HK\$95,000,000 net of expenses directly attributable thereto. In addition, the accumulated fair value surplus of HK\$455,000,000 associated with the Property previously credited to the other assets revaluation reserve would be transferred to the retained profits in accordance with Hong Kong Financial Reporting Standards upon Completion.

The Disposal will generate cash inflow to the Group and enhance its liquidity and working capital position. The proceeds from the Disposal, net of expenses directly attributable thereto, is estimated to be approximately HK\$609,000,000 and are intended to be used for general working capital and/or future investment opportunities of the Group as and when appropriate.

Based on the above, the Directors (other than members of the IBC whose view shall be formed after receiving the advice of the IFA) consider that the Disposal represents a good opportunity for the Company to realise its investment. The Directors also consider that the terms of the 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**

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. To the best of the knowledge of the Directors, the Purchaser is the spouse of Dr. Chow who is the controlling shareholder of the Company holding 189,490,248 Shares (representing approximately 62.76% of the entire issued share capital of the Company) as at the date of the Agreement. Accordingly, the Purchaser is an associate of a connected person of the Company, and thus a connected person of the Company under Chapter 14A of the Listing Rules. By virtue of the Purchaser being an associate of Dr. Chow, the Disposal also constitutes a connected transaction for the Company which is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Dr. Chow and his associates shall abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Shareholder has a material interest in the Disposal and accordingly, no other Shareholder is required to abstain from voting on the ordinary resolution to approve the Disposal at the SGM.

The IBC, comprising all the independent non-executive Directors, has been established to give a recommendation to the Independent Shareholders on the terms of the Disposal and on voting. The IFA will be appointed to advise the IBC and the Independent Shareholders in this regard. A circular containing, among other things, details of the Disposal, the recommendation of the IBC, the advice of the IFA, the notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 20 September 2017.

## **DEFINITIONS**

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

“Accounts”	the audited financial statements of the Target for the year ended 31 March 2017 and the unaudited management accounts of the Target as at 26 August 2017
“Agreement”	the agreement dated 30 August 2017 entered into among the Vendors and the Purchaser in relation to the sale and purchase of the Sale Shares
“Board”	the board of Directors
“Business Days”	any day(s) (excluding a Saturday or Sunday) on which licensed banks generally are open for business in Hong Kong
“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 sale and purchase of the Sale Shares pursuant to the Agreement
“Completion Accounts”	the unaudited management accounts of the Target as at the Completion Date prepared in accordance with Hong Kong Financial Reporting Standards
“Completion Date”	the date on which Completion takes place
“Consideration”	the consideration of HK\$610,000,000 for the Sale Shares (subject to adjustments required to be made based on the Completion Accounts as described in this announcement)
“Deposit”	a deposit of HK\$30,500,000 payable by the Purchaser to the Vendors under the Agreement
“Director(s)”	the director(s) of the Company



“Disposal”	the proposed disposal of the Sale Shares by the Vendors pursuant to the terms of the Agreement
“Dr. Chow”	Dr. CHOW Yei Ching, the controlling shareholder of the Company holding 189,490,248 Shares (representing approximately 62.76% of the entire issued share capital of the Company) as at the date of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IBC”	an independent committee of the Board established to give a recommendation to the Independent Shareholders on the terms of the Disposal and on voting
“IFA”	an independent financial adviser to be appointed by the Company to advise the IBC and the Independent Shareholders on the Disposal
“Independent Shareholders”	Shareholder(s) other than Dr. Chow and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the residential property located at 9 Henderson Road, Jardine’s Lookout, Hong Kong held by the Target
“Purchaser”	Madam Miyakawa Michiko
“Sale Shares”	10,000 shares in the capital of the Target, representing the entire issued share capital of the Target as at the date of the Agreement
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Talent Luck Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company prior to Completion

“Vendors” collectively, CIH (BVI) Limited and Lucky Fine Limited  
“HK\$” Hong Kong dollars, the lawful currency of Hong Kong  
“%” per cent.

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

Hong Kong, 30 August 2017

*As at the date of this announcement, the Board comprises Messrs. Kuok Hoi Sang (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*