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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 ACQUISITION OF SENIOR HOUSING BUSINESS IN THE US AND RESUMPTION OF TRADING**

#### **THE PROPOSED ACQUISITION**

On 11 October 2012 (US time), Strategic Capital and the Assignees entered into the Assignment Agreement pursuant to which Strategic Capital has assigned to the Assignees all its rights and obligations set out in the Purchase and Sale Agreement.

Pursuant to the Assignment Agreement, the Assignees have taken up the rights and obligations of Strategic Capital as purchaser under the Purchase and Sale Agreement such that the Assignees have conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Target Business (including the Properties) at an aggregate consideration of US\$124.0 million (equivalent to approximately HK\$967.2 million) which includes the estimated cost of maintenance to be performed by the Assignees on the Properties of US\$4.0 million (equivalent to approximately HK\$31.2 million).

The Properties are located at North Carolina, US with an aggregate gross floor area of approximately 441,584 sq. ft. and are currently being operated as senior housing facilities. For the year ended 31 December 2011, the unaudited aggregate revenue and aggregate Net Operating Income generated from the Target Business amounted to approximately US\$36.6 million (equivalent to approximately HK\$285.5 million) and approximately US\$11.9 million (equivalent to approximately HK\$92.8 million) respectively.

#### **COMPLETION OF THE PROPOSED ACQUISITION**

Subject to the fulfillment or waiver (as the case may be) of the conditions precedent set out in the paragraph headed "Subject of the Assignments – Conditions precedent" below, completion for the Proposed Acquisition is expected to take place on the Completion Date.

\* For identification purpose only

## **LISTING RULES IMPLICATIONS**

The Proposed Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and requires shareholders' approval pursuant to Rule 14.40 of the Listing Rules. The SGM will be convened to consider and, if thought fit, approve, among other things, the Assignment Agreement and the transactions contemplated thereunder. To the best knowledge of the Directors, no Shareholders have a material interest in the transactions contemplated under the Assignment Agreement. Accordingly, no Shareholders will be required to abstain from voting at the SGM.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:00 p.m. on 12 October 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 15 October 2012.

## **GENERAL**

A circular containing, among other things, (i) further information on the Assignment Agreement and the Purchase and Sale Agreement; (ii) the financial information of the Target Business; (iii) unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report of the Target Business; (v) the valuation report of the Properties; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 5 December 2012 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

The Board is pleased to announce that on 11 October 2012 (US time), Strategic Capital and the Assignees entered into the Assignment Agreement. Upon signing of the Assignment Agreement on 11 October 2012 (US time), the Assignees have respectively taken up all the rights and obligations of Strategic Capital set out in the Purchase and Sale Agreement in relation to the Proposed Acquisition. Details of the said agreements are set out below:

## **THE ASSIGNMENT AGREEMENT**

**Date:** 11 October 2012 (US time)

### **Parties**

<b>Assignor</b>	<b>Assignee</b>	<b>Property assigned</b>
Strategic Capital	NC4 Albemarle	Albemarle House
Strategic Capital	NC4 Canterbury	Canterbury House
Strategic Capital	NC4 Caswell	Caswell House
Strategic Capital	NC4 Cedarmtn	Cedar Mountain House
Strategic Capital	NC4 Cherryspr	Cherry Springs Village
Strategic Capital	NC4 Covington	The Covington
Strategic Capital	NC4 Cranberry	Cranberry House
Strategic Capital	NC4 Edenton	Edenton House
Strategic Capital	NC4 Hayesville	Hayesville House
Strategic Capital	NC4 Kingsbridge	Kingsbridge House
Strategic Capital	NC4 Magcreek	Magnolia Creek
Strategic Capital	NC4 Oliver	Oliver House

<b>Assignor</b>	<b>Assignee</b>	<b>Property assigned</b>
Strategic Capital	NC4 Sharon	Sharon Amity
Strategic Capital	NC4 Magnolia	The Magnolia
Strategic Capital	NC4 Wellington	Wellington House
Strategic Capital	NC4 Williamston	Williamston House
Strategic Capital	NC4 Windsor	Windsor House
Strategic Capital	NC4 Yancey	Yancey House

To the best of the Directors' knowledge, information and belief after making reasonable enquiries, (i) Strategic Capital is principally engaged in private property investment; and (ii) Strategic Capital and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

### **Subject of the Assignments**

Under the Assignment Agreement, Strategic Capital has agreed to assign all its rights and obligations set out in the Purchase and Sale Agreement to the Assignees. Details of the Purchase and Sale Agreement are set out below:

### **The Purchase and Sale Agreement:**

**Date:** 7 June 2012 (as amended and supplemented on 30 July 2012, 17 August 2012, 23 August 2012, 30 August 2012, 7 September 2012 and 1 October 2012)

### **Parties**

**Purchaser:** Strategic Capital

### **Vendors:**

Albemarle HCRE, LLC and Albemarle Operating AL, LLC  
Roxboro HCRE, LLC and Roxboro Operating AL, LLC  
Yanceyville HCRE, LLC and Yanceyville Operating AL, LLC  
Brevard South HCRE, LLC and Brevard South Operating AL, LLC  
Hendersonville HCRE, LLC and Hendersonville Operating AL, LLC  
Raleigh HCRE, LLC and Raleigh Operating AL, LLC  
Newland HCRE, LLC and Newland Operating AL, LLC  
Edenton HCRE, LLC and Edenton Operating AL, LLC  
Hayesville HCRE, LLC and Hayesville Operating AL, LLC  
Brevard North HCRE, LLC and Brevard North Operating AL, LLC  
Winston-Salem HCRE, LLC and Winston-Salem Operating AL, LLC  
Wendell HCRE, LLC and Wendell Operating AL, LLC  
Charlotte HCRE, LLC and Charlotte Operating AL, LLC  
Clinton HCRE, LLC and Clinton Operating AL, LLC  
Gastonia HCRE, LLC and Gastonia Operating AL, LLC  
Williamston HCRE, LLC and Williamston Operating AL, LLC  
Windsor HCRE, LLC and Windsor Operating AL, LLC  
Burnsville HCRE, LLC and Burnsville Operating AL, LLC

### **Properties**

Albemarle House  
Canterbury House  
Caswell House  
Cedar Mountain House  
Cherry Springs Village  
The Covington  
Cranberry House  
Edenton House  
Hayesville House  
Kingsbridge House  
Magnolia Creek  
Oliver House  
Sharon Amity  
The Magnolia  
Wellington House  
Williamston House  
Windsor House  
Yancey House

The Properties Owners and the Operators are the Vendors to the Purchase and Sale Agreement whereby the Properties Owners own the titles to the Properties and the Operators own all tangible personal property located or used in connection with the ownership, operation, management or maintenance of each of the Properties.

The Properties Owners are investment holding companies while the Operators are responsible for the day-to-day operation of the Target Business through the manager of the Properties, Meridian Senior Living. Both the Properties Owners and the Operators are wholly-owned subsidiaries of FC Properties which is mainly engaged in owning and operating senior housing facilities in North Carolina, US. To the best of the Directors' knowledge, information and belief after making reasonable enquiries, the Properties Owners, the Operators, FC Properties and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

### **Aggregate Consideration of the Proposed Acquisition**

The aggregate consideration for the Target Business (including the Properties) amounts to US\$124.0 million (equivalent to approximately HK\$967.2 million), which shall be settled in the following manner:

- (i) an aggregate cash deposit of US\$500,000 (equivalent to approximately HK\$3.9 million) (the “**Initial Deposit**”) having been paid by Strategic Capital to the designated escrow agent;
- (ii) approximately 74.6% of the aggregate consideration net of the estimated cost of maintenance to be performed by the Assignees on the Properties of US\$4.0 million (equivalent to approximately HK\$31.2 million) or approximately US\$89.5 million (equivalent to approximately HK\$698.1 million), to be paid by a mortgage loan which will fund on the Completion Date pursuant to a commitment (the “**Loan Commitment**”) issued to the Assignees on 11 October 2012 (US time);
- (iii) an additional cash deposit of US\$2.0 million (equivalent to approximately HK\$15.6 million) (the “**Additional Deposit**”) is to be paid by the Assignees within three business days after receiving the Loan Commitment by the Assignees; and
- (iv) the balance of the aggregate consideration (subject to the adjustments) which amounts to approximately US\$32.0 million (equivalent to approximately HK\$249.6 million) payable in cash by the Assignees to the designated escrow agent on or before the Completion Date.

The aggregate consideration for the Target Business (including the Properties) was arrived at after arm's length negotiations between Strategic Capital and the Vendors. The Directors are of the view that the aggregate consideration for the Proposed Acquisition is fair and reasonable and is in the interest of the Shareholders as a whole having taken into account:

- (i) the unaudited aggregate revenue of approximately US\$36.6 million (equivalent to approximately HK\$285.5 million) and the unaudited aggregate Net Operating Income of approximately US\$11.9 million (equivalent to approximately HK\$92.8 million) generated from the Target Business for the year ended 31 December 2011;
- (ii) the indicative market value of the Target Business of approximately US\$124.7 million (equivalent to approximately HK\$972.7 million) as of 26 August 2012, as advised by independent professional valuer, CBRE;
- (iii) the Directors' knowledge in such industry that the aggregate consideration is comparable to market price of similar business or the consideration for sale transactions of similar business in the US; and

- (iv) the expected annual yield to be generated by the Target Business to the Group from the future leases of the Properties having taken into account the capitalisation rate of approximately 9.75% as calculated with reference to (a) the unaudited aggregate Net Operating Income generated by the Target Business for the year ended 31 December 2011; (b) the aggregate consideration for the Target Business (including the Properties); and (c) the estimated cost of maintenance to be performed by the Assignees of US\$4.0 million (equivalent to approximately HK\$31.2 million).

Upon completion of the Assignments, the Initial Deposit of US\$500,000 (equivalent to approximately HK\$3.9 million) already paid by Strategic Capital pursuant to the Purchase and Sale Agreement shall be reimbursed by the Assignees to Strategic Capital.

### **Adjustments to the aggregate consideration of the Proposed Acquisition**

The aggregate consideration for the Purchase and Sale Agreement is subject to the following adjustments:

- (i) the aggregate consideration shall be adjusted by the working capital of the Target Business, among others, include (a) the rental fees receivable from residents and the US government for services provided to senior citizens; (b) amount payable to food and medicine suppliers; and (c) any outstanding utility bill. The aggregate consideration shall be increased by the amount by which the closing working capital (as calculated in accordance with methodologies and policies used in preparing the financial statements of the Target Business, no later than 90 days after the Completion Date) exceeds the base working capital (as agreed upon by the parties in conjunction with the completion of the audits of the Target Business); and the aggregate consideration shall be decreased by the amount by which the base working exceeds the closing working capital (the “**Working Capital Adjustment**”). The Working Capital Adjustment shall be settled in full within ten days after determination of the abovementioned closing working capital and it was agreed that in no event shall the aggregate consideration be increased by more than US\$4.0 million (equivalent to approximately HK\$31.2 million) in this regard;
- (ii) aggregate consideration shall be adjusted by the prorated real estate and personal property taxes as of the Completion Date; and
- (iii) the Assignees shall receive from the Vendors a credit equal to the estimated cost of maintenance to be performed by the Assignees on the Properties of US\$4.0 million (equivalent to approximately HK\$31.2 million).

### **Indemnification by the Vendors**

The Vendors shall indemnify the Assignees against all liabilities, claims, damages, cost and expenses arising from the Properties prior to the Completion Date, subject to a cap of 20% of the aggregate consideration (as adjusted) for the Proposed Acquisition. The said indemnification by the Vendors shall be valid for a period of 18 months following the Completion Date.

### **Conditions precedent**

Completion of the Purchase and Sale Agreement is conditional upon:–

- (i) the Assignees shall perform in material aspects all its obligations under the Purchase and Sale Agreement prior to the Completion Date;
- (ii) representations and warranties given by the Assignees shall be true and correct as of the Completion Date in all material aspects;

- (iii) a specified title insurer shall issue (or irrevocably committed to issue) a title insurance policy in the form of an approved title report relating to each of the Properties to the Assignees;
- (iv) the Vendors shall perform in all material respects all its obligations under the Purchase and Sale Agreement, prior to the Completion Date;
- (v) representations and warranties given by the Vendors shall be true and correct as of the Completion Date in all material aspects;
- (vi) the NewCos shall have obtained all governmental licenses and approvals necessary to operate the Target Business; and
- (vii) all conditions to the Loan Commitment shall have been satisfied.

Conditions (iii), (iv), (v), (vi) and (vii) above are capable of being waived in writing by the Assignees. In the event that any of the above conditions precedent is not fulfilled but not due to the failure of the Vendors to fulfil their respective obligations under the Purchase and Sale Agreement, the Assignees shall forfeit US\$750,000 (equivalent to approximately HK\$5.9 million) of the deposits paid (i.e. the aggregated amount of the Initial Deposit and the Additional Deposit), which the Vendors would be entitled to retain while the remaining of the deposits paid of US\$1,750,000 (equivalent to approximately HK\$13.7 million) would be refunded to the Assignees.

#### **Failure to perform the Purchase and Sale Agreement**

In the event that the Vendors fail to fulfil their material obligations on the Completion Date, the Assignees may as their sole and exclusive remedy, either:–

- (i) terminate the Purchase and Sale Agreement by written notice prior to the expiration of the Inspection Period, in which case deposits made thereby shall be forthwith returned thereto and it shall have the right to recover its actual damages against the Vendors; or
- (ii) compel specific performance by the Vendors of their obligations, in which event the cash deposits made thereby shall be delivered thereto on the Completion Date and credited against the aggregate consideration for the Target Business (including the Properties).

If the Assignees fail to fulfil their obligations, the cash deposits made thereby shall be forfeited by the Vendors as full and liquidated damages in lieu of all other rights and remedies.

#### **BUSINESS TO BE ACQUIRED UNDER THE PROPOSED ACQUISITION**

The business to be acquired is the Properties' operation as senior housing facilities (i.e. the Target Business) whereby the Properties include: Albemarle House, Canterbury House, Caswell House, Cedar Mountain House, Cherry Springs Village, The Covington, Cranberry House, Edenton House, Hayesville House, Kingsbridge House, Magnolia Creek, Oliver House, Sharon Amity, The Magnolia, Wellington House, Williamston House, Windsor House and Yancey House, which are located at North Carolina, US. The Properties have an aggregate capacity of approximately 1,322 beds while the aggregate gross floor area of the Properties is approximately 441,584 sq. ft. and the aggregate site area is approximately 4,152,837 sq. ft..

Details of each of the Properties are as below:

<b>Properties</b>	<b>Year of establishment</b>	<b>Location</b>	<b>Gross floor area (sq.ft.)</b>	<b>Site area (sq.ft.)</b>	<b>Number of beds</b>
Albemarle House	1998	Albemarle	20,046	174,240	76
Canterbury House	1999	Roxboro	16,971	103,673	60
Caswell House	2007	Yanceyville	38,283	245,243	100
Cedar Mountain House	1999	Brevard	20,736	87,120	64
Cherry Springs Village	1998	Hendersonville	21,160	418,612	60
The Covington	1988	Raleigh	52,697	189,922	120
Cranberry House	2007	Newland	22,210	204,645	60
Edenton House	2007	Edenton	24,732	197,588	60
Hayesville House	2007	Hayesville	22,383	528,818	60
Kingsbridge House	1999	Brevard	16,971	125,888	60
Magnolia Creek	1990	Winston-Salem	33,304	447,361	117
Oliver House	1979	Wendell	26,380	179,032	92
Sharon Amity	1999	Charlotte	22,231	122,404	64
The Magnolia	1997	Clinton	26,600	292,723	91
Wellington House	1988	Gastonia	12,000	45,215	48
Williamston House	1999	Williamston	17,491	209,524	60
Windsor House	2007	Windsor	23,326	248,292	60
Yancey House	2007	Burnsville	24,063	332,537	70
			441,584	4,152,837	1,322
			441,584	4,152,837	1,322

The revenues of the Target Business was derived from the sub-leasing of the housing units to the senior citizens and provision of assisted living services and other medical care services to the residents. The unaudited aggregate revenue and aggregate Net Operating Income generated from the Target Business for the two years ended 31 December 2010 and 2011 are set out below:

	<b>For the year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$ million</i>	<i>US\$ million</i>
Revenue	36.6	34.6
Net Operating Income	11.9	11.8
Earnings before interest, taxes, depreciation and amortisation	11.3	11.2
Net loss	1.5	2.7

The unaudited net loss for the two years ended 31 December 2010 and 2011 was primarily due to the depreciation and amortisation expenses.

**The above financial information is only based on the preliminary assessment according to figures and information that have not been audited or reviewed by the Company's auditor.**

The indicative market value of the Target Business of approximately US\$124.7 million (equivalent to approximately HK\$972.7 million) as advised by an independent professional valuers, CBRE, as of 26 August 2012.

## **COMPLETION FOR THE PROPOSED ACQUISITION**

Subject to the fulfillment or waiver (as the case may be) of the said conditions precedent, completion for the Proposed Acquisition is expected to take place on the Completion Date.

## **FUNDING FOR THE AGGREGATE CONSIDERATION FOR THE PROPOSED ACQUISITION**

The aggregate consideration for the Proposed Acquisition of approximately US\$124.0 million (equivalent to approximately HK\$967.2 million) will be financed by internal resources and external financing of the Group, of which approximately US\$89.5 million (equivalent to approximately HK\$698.1 million) will be financed by mortgage loans of the Properties.

## **OPERATING ARRANGEMENT OF THE PROPERTIES UPON COMPLETION OF THE PROPOSED ACQUISITION**

The existing manager of the Properties, Meridian Senior Living, is primarily engaged in the management of assisted living, memory care, and independent living communities throughout the US. To the best of the Directors' knowledge, information and belief after making reasonable enquiries, Meridian Senior Living and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Upon completion of the Proposed Acquisition, the NewCos (18 limited liability companies to be set up by the Meridian Senior Living) shall enter into the Master Lease Agreement with the Assignees and will be (i) responsible for obtaining and holding all governmental licenses required to operate the Target Business; (ii) responsible for the day-to-day operation of the Target Business pursuant to the Management Contracts with Meridian Senior Living; and (iii) entitled to a management fee which will be equivalent to 5% of revenue generated by the Target Business and certain performance incentive fees.

## **REASONS FOR THE PROPOSED ACQUISITION**

The Company is an investment holding company and the Group is principally engaged in the business of construction and engineering, insurance and investment, property development and investment, food and beverage, and computer and information communication technology.

As set out in the annual report of the Company for the year ended 31 March 2012, the Group entered into senior housing business in the US by acquiring three senior housing properties located at Oregon, US in June 2011 and has since recorded an occupancy rate at near 90% as well as a revenue of US\$16.5 million (equivalent to approximately HK\$128.7 million) for the nine months ended 31 March 2012. With the growing aged population and steady rise in healthcare expenditure in the US, the Directors anticipate that demand for senior citizen housing is to increase and this operation will continue to generate a stable operating income and offer capital appreciation potential of those properties in the future.

In view of this, the Company has engaged Kinetic Capital, an independent adviser and asset manager who also advised the Company in the abovementioned acquisition in June 2011, to assist in identifying investment targets, designing investment structure and devising post-investment plans for ongoing asset management and operations. In this instance, Kinetic Capital through its alliance with Strategic Capital worked together in identifying the Target Business with respect of the Proposed Acquisition. In return, Strategic Capital and Kinetic Capital shall receive consulting and asset management fees from the Group for providing advice to the Group on the Proposed Acquisition.



The Properties are currently being operated as senior housing facilities and are located at North Carolina, US, in which state the 75-plus aged population is expected to increase by approximately 205,794 or 36.2% from July 2012 through to July 2020 according to the Office of State Budget and Management of North Carolina's projection which was last updated on 8 May 2012.

In light of the above, the Directors are optimistic about the prospects of the operations of the Properties and consider that it is an opportune time to acquire the Properties to further diversify the Group's property portfolio. The Directors are also of the view that the Proposed Acquisition would generate stable operating income, provide capital appreciation potential to the Group, and defend the Group from economic depression by diversifying its portfolio to a relatively defensive property investment.

Taking into account the above factors, the Directors consider that the terms of the Assignments and the Proposed Acquisition including the aggregate consideration thereof are fair and reasonable and the Assignments and the Proposed Acquisition are in the interests of the Shareholders and the Company as a whole.

## **LISTING RULES IMPLICATIONS**

The Proposed Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and requires shareholders' approval pursuant to Rule 14.40 of the Listing Rules. The SGM will be convened to consider and, if thought fit, approve, among other things, the Assignment Agreement and the transactions contemplated thereunder. To the best knowledge of the Directors, no Shareholders have a material interest in the transactions contemplated under the Assignment Agreement. Accordingly, no Shareholders will be required to abstain from voting at the SGM.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:00 p.m. on 12 October 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 15 October 2012.

## **GENERAL**

A circular containing, among other things, (i) further information on the Assignment Agreement and the Purchase and Sale Agreement; (ii) the financial information of the Target Business; (iii) unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report of the Target Business; (v) the valuation report of the Properties; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 5 December 2012 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **DEFINITIONS**

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

“Assignees” collectively, NC4 Albemarle; NC4 Canterbury; NC4 Caswell; NC4 Cedarmtn; NC4 Cherryspr; NC4 Covington; NC4 Cranberry; NC4 Edenton; NC4 Hayesville; NC4 Kingsbridge; NC4 Magcreek; NC4 Oliver; NC4 Sharon; NC4 Magnolia; NC4 Wellington; NC4 Williamston; NC4 Windsor; and NC4 Yancey

“Assignment Agreement” the assignment and assumption of the Purchase and Sale Agreement dated 11 October 2012 (US time) entered into between the Assignees and Strategic Capital in relation to the Assignments

“Assignments”	collectively, the assignment of the rights and obligations under the Purchase and Sale Agreement by Strategic Capital to each of the Assignees
“Board”	the board of Directors
“CBRE”	CBRE Group, an independent professional valuer who is responsible in appraising the Target Business and the Properties
“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)
“Completion Date”	the date on which completion of the Proposed Acquisition takes place, being 21 December 2012 or such other date as agreed by the Assignees and the Vendors in writing
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Enlarged Group”	the Group including the Target Business (including the Properties)
“FC Properties”	FC Properties XVI, LLC, a limited liability company incorporated in Delaware, US and is the ultimate holding company of the Vendors
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inspection Period”	The period ending at 5:00 p.m. Pacific Time on 22 October 2012
“Kinetic Capital”	Kinetic Capital Company Limited, a limited liability company incorporated in the British Virgin Islands and an independent adviser and asset manager engaged by the Company, which is in alliance with Strategic Capital with respect to the Proposed Acquisition. To the best of the Directors’ knowledge, information and belief after making reasonable enquiries, Kinetic Capital and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Contracts”	18 contracts to be entered into between each of the NewCos and Meridian Senior Living on or before the Completion Date in relation to the operating arrangements of the Properties
“Master Lease Agreement”	the leasing agreement to be entered into between the Assignees and the NewCos on or before the Completion Date in relation to the leasing of the Properties
“Meridian Senior Living”	a limited liability company incorporated in the US and the existing manager of the Properties

“NC4 Albemarle”	NC4 Albemarle, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Canterbury”	NC4 Canterbury, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Caswell”	NC4 Caswell, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Cedarmtn”	NC4 Cedarmtn, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Cherryspr”	NC4 Cherryspr, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Covington”	NC4 Covington, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Cranberry”	NC4 Cranberry, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Edenton”	NC4 Edenton, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Hayesville”	NC4 Hayesville, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Kingsbridge”	NC4 Kingsbridge, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Magcreek”	NC4 Magcreek, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Oliver”	NC4 Oliver, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Sharon”	NC4 Sharon, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Magnolia”	NC4 Magnolia, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Wellington”	NC4 Wellington, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Williamston”	NC4 Williamston, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“NC4 Windsor”	NC4 Windsor, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company

“NC4 Yancey”	NC4 Yancey, LLC, a limited liability company incorporated in Delaware, US and an indirect wholly-owned subsidiary of the Company
“Net Operating Income”	the total revenue net of operating expenses (excluding amortisation, depreciation, tax and interest expense)
“NewCos”	18 holding companies to be set up by Meridian Senior Living to lease the Properties from the Assignees under the terms and conditions set out in the Master Lease Agreement
“Operators”	collectively, Albemarle Operating AL, LLC; Roxboro Operating AL, LLC; Yanceyville Operating AL, LLC; Brevard South Operating AL, LLC; Hendersonville Operating AL, LLC; Raleigh Operating AL, LLC; Newland Operating AL, LLC; Edenton Operating AL, LLC; Hayesville Operating AL, LLC; Brevard North Operating AL, LLC; Winston-Salem Operating AL, LLC; Wendell Operating AL, LLC; Charlotte Operating AL, LLC; Clinton Operating AL, LLC; Gastonia Operating AL, LLC; Williamston Operating AL, LLC; Windsor Operating AL, LLC and Burnsville Operating AL, LLC
“Properties”	together, Albemarle House, Canterbury House, Caswell House, Cedar Mountain House, Cherry Springs Village, The Covington, Cranberry House, Edenton House, Hayesville House, Kingsbridge House, Magnolia Creek, Oliver House, Sharon Amity, The Magnolia, Wellington House, Williamston House, Windsor House and Yancey House
“Properties Owners”	collectively, Albemarle HCRE, LLC; Brevard North HCRE, LLC; Brevard South HCRE, LLC; Burnsville HCRE, LLC; Charlotte HCRE, LLC; Clinton HCRE, LLC; Edenton HCRE, LLC; Gastonia HCRE, LLC; Hayesville HCRE, LLC; Hendersonville HCRE, LLC; Newland HCRE, LLC; Raleigh HCRE, LLC; Roxboro HCRE, LLC; Wendell HCRE, LLC; Williamston HCRE, LLC; Windsor HCRE, LLC; Winston-Salem HCRE, LLC; and Yanceyville HCRE, LLC
“Proposed Acquisition”	the acquisition of the Target Business by the Assignees by way of the Assignments
“Purchase and Sale Agreement”	the Purchase and Sale Agreement dated 7 June 2012 (as amended and supplemented on 30 July 2012, 17 August 2012, 23 August 2012, 30 August 2012, 7 September 2012 and 1 October 2012) entered into between the Vendors and Strategic Capital in relation to the acquisition of the Target Business
“SGM”	a special general meeting of the Company to be convened and held to approve the Assignment Agreement and the transactions contemplated thereunder
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Strategic Capital”	Strategic Capital Group, LLC, a limited liability company incorporated in Utah, which is in alliance with Kinetic Capital with respect to the Proposed Acquisition
“Target Business”	the Properties’ operation as senior housing facilities (including the Properties)
“Vendors”	together, the Properties Owners and the Operators
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“sq. ft.”	square feet
“US”	the United States of America
“US\$”	United States dollar(s), the lawful currency of the US

This announcement contains translation between US\$ and HK\$ at the rate US\$1.0 = HK\$7.8. The translation rate is for indication purposes only and should not be taken as a representation that the relevant currencies could actually be converted at that rate or at all.

By Order of the Board  
**Chevalier International Holdings Limited**  
**Chow Yei Ching**  
*Chairman*

Hong Kong, 12 October 2012

*As at the date of this announcement, the Board comprises Dr. Chow Yei Ching (Chairman), Messrs. Kuok Hoi Sang (Vice Chairman and Managing Director), Tam Kwok Wing (Deputy Managing Director), Chow Vee Tsung, Oscar, Ho Chung Leung, Ma Chi Wing and Miss Lily Chow as executive Directors; Dr. Chow Ming Kuen, Joseph, Messrs. Sun Kai Dah, George and Yang Chuen Liang, Charles as independent non-executive Directors; and Dr. Ko Chan Gock, William as non-executive Director.*