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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

THE ASSIGNMENT AGREEMENT

The Assignor, as purchaser, entered into the Purchase Agreement with the Sellers on 14 February 2018, pursuant to which the Sellers agreed to sell to the Assignor, and the Assignor agreed to purchase from the Sellers, the Properties for the cash consideration of US\$65,750,000 (equivalent to approximately HK\$516.0 million). The Properties comprise ten senior housing properties located in the U.S. In conjunction with the Purchase Agreement, the Assignor, the Sellers and the Escrow Agent also entered into the Escrow Agreement on 14 February 2018, pursuant to which the Escrow Agent shall act as escrow agent with respect to the deposits payable by the Assignor under the Purchase Agreement.

The Board is pleased to announce that after trading hours of the Stock Exchange on 25 May 2018 (Hong Kong time), the Assignees (all being indirect wholly-owned subsidiaries of the Company) and the Assignor entered into the Assignment Agreement, pursuant to which the Assignor agreed to assign to the Assignees all of its right, title and interest in, to and under the Purchase Agreement and the Escrow Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Board is pleased to announce that after trading hours of the Stock Exchange on 25 May 2018 (Hong Kong time), the Assignees (all being indirect wholly-owned subsidiaries of the Company) and the Assignor entered into the Assignment Agreement, pursuant to which the Assignor agreed to assign to the Assignees all of its right, title and interest in, to and under the Purchase Agreement and the Escrow Agreement.

The principal terms of the Assignment Agreement, the Purchase Agreement and the Escrow Agreement are set out below.

THE ASSIGNMENT AGREEMENT

Date

25 May 2018

Parties

- (i) The Assignor; and
- (ii) the Assignees.

Subject matter

Pursuant to the Assignment Agreement, the Assignor agreed to assign to the Assignees all of its right, title and interest in, to and under the Purchase Agreement and the Escrow Agreement. The Assignment includes all of the Assignor's rights to purchase the Properties under the Purchase Agreement and all of the Assignor's interest in the deposits paid by the Assignor to the Escrow Agent pursuant to the Escrow Agreement. The Assignees shall have and be vested with all of the rights and benefits conferred upon the Assignor in the Purchase Agreement and the Escrow Agreement as though, and to the same extent as if, the Assignees had been originally named the "purchaser" in the Purchase Agreement and the Escrow Agreement respectively. Details of the Purchase Agreement and the Escrow Agreement are set out below.

Effective date

The Assignment has become effective immediately after execution of the Assignment Agreement.

THE PURCHASE AGREEMENT

Date

14 February 2018 (as amended on 2 April 2018, 30 April 2018, 15 May 2018 and 25 May 2018)

Parties

- (i) The Assignor (as purchaser); and
- (ii) the Sellers (as vendors).

Subject matter

Pursuant to the Purchase Agreement, the Sellers agreed to sell and the Assignor agreed to acquire the entire interest in the Properties, which comprise ten senior housing properties located in the U.S. Further details of the Properties are set out in the section headed “Information of the Properties” below in this announcement.

Consideration and payment terms

The Consideration amounts to US\$65,750,000 (equivalent to approximately HK\$516.0 million), which shall be payable by the Assignor in cash in the following manners:

- (i) US\$1,000,000 (equivalent to approximately HK\$7.8 million), being an initial deposit refundable in circumstances described in the paragraphs headed “Due diligence” and “Conditions” below, is payable to the Escrow Agent no later than two business days following the execution of the Purchase Agreement;
- (ii) US\$1,000,000 (equivalent to approximately HK\$7.8 million), being an additional deposit refundable in circumstances described in the paragraph headed “Conditions” below, will be payable to the Escrow Agent no later than two business days after the expiration of the Due Diligence Period if the Assignor has not terminated the Purchase Agreement according to the terms thereof;
- (iii) US\$31,823,284 (equivalent to approximately HK\$249.7 million), being the portion of the Consideration allocated to the First Batch Properties, shall be payable to the Escrow Agent on the First Completion Date and the Escrow Agent shall release such portion of the Consideration, less US\$1 million (the “Holdback Amount”), to the Sellers thereafter;
- (iv) US\$31,476,716 (equivalent to approximately HK\$247.0 million), being the portion of the Consideration allocated to the Second Batch Properties less US\$1,700,000 deposits payable in (i) and (ii) above, shall be payable to the Escrow Agent on the Second Completion Date and the Escrow Agent shall release such portion of the Consideration to the Sellers thereafter; and
- (v) US\$450,000 (equivalent to approximately HK\$3.5 million), being the portion of the Consideration allocated to the Third Batch Property less the balance of US\$300,000 deposit payable in (i) and (ii) above, shall be payable to the Escrow Agent on the Third Completion Date and the Escrow Agent shall release such portion of the Consideration to the Sellers thereafter.

The Consideration was determined after arm’s length negotiations among the Assignor and the Sellers, having taken into account the average market price of similar senior housing properties in the U.S.

The initial deposit in the amount of US\$1,000,000 has been paid by the Assignor to the Escrow Agent according to the terms of the Purchase Agreement using funding provided by the Group. Subject to Completion, an amount of US\$1,700,000 out of the initial deposit and the additional deposit in (i) and (ii) above shall be released to the Sellers on the Second Completion Date and the balance of US\$300,000 shall be released to the Sellers on the Third Completion Date.

Due diligence

Pursuant to the Purchase Agreement, the Assignor is entitled to carry out due diligence in respect of the Properties during the Due Diligence Period. The Assignor shall have the right to terminate the Purchase Agreement on or before the expiration of the Due Diligence Period in its sole and absolute discretion, in which case the initial deposit in the amount of US\$1,000,000 less US\$50 shall be returned to the Assignor.

Conditions

Assignor's conditions to Completion

The obligations of the Assignor to consummate the transactions under the Purchase Agreement are subject to the satisfaction (or waiver by the Assignor in writing) of the following conditions:

- (i) each of the representations of the Sellers shall be true in all respects as of Completion, except those which are qualified as to materiality, which are true and correct in all respects as at Completion;
- (ii) the Sellers shall have performed and complied in all material respects with all covenants and agreements required by the Purchase Agreement to be performed and complied with by them on or prior to Completion;
- (iii) all of the documents required to be delivered by the Sellers at Completion pursuant to the terms and conditions of the Purchase Agreement shall have been delivered in accordance with the terms thereof;
- (iv) subject to payment of all title insurance premiums and fees, the Escrow Agent is irrevocably committed to issue the title insurance policy for each of the Properties;
- (v) the Assignor shall have received the operations transfer agreement dated 14 February 2018 entered into between the existing lessees and the new lessees appointed by the Assignor of the Properties as regards the transfer of the lease and operation of the Properties and the new lessees shall have satisfied all of the closing requirements;
- (vi) no law shall be in effect and no order shall have been entered, in each case, that (a) restrains, enjoins or prohibits the performance of all or any part of the Purchase Agreement or the consummation of the transactions or (b) declares unlawful the Purchase Agreement or the consummation of the transactions;
- (vii) the Assignor shall have obtained those permits, licenses and government approvals in relation to the operations of the Properties; and
- (viii) the Assignor and the Sellers shall have obtained the approval of OHCS as required in connection with the early payoff of the existing loan and other agreements for the transaction of one of the Properties.

If any of the conditions above is not satisfied at or prior to the First Completion Date or the Second Completion Date (as the case may be) or, in respect of the Third Batch Property, the date that is six months after the First Completion Date (except by reason of a default by the Assignor), the Assignor may (a) waive any of the foregoing conditions and proceed to Completion with no offset or deduction from the Consideration; or (b) terminate the Purchase Agreement, in which case the Assignor shall receive a return of the deposits already paid less US\$50 from the Escrow Agent and neither party shall have any further obligation or liability to the other, except with respect to those provisions of the Purchase Agreement which expressly survive a termination of the Purchase Agreement; or (c) if such failure constitutes a default by the Sellers, exercise its remedies under the Purchase Agreement (include the right to recover from the Sellers its out-of-pocket costs and attorney's fees in the amount not to exceed US\$250,000 (equivalent to approximately HK\$2.0 million) or seek specific performance of Sellers' obligation to consummate the transactions in accordance with the Purchase Agreement.

Sellers' conditions to Completion

The obligations of the Sellers to consummate the transactions under the Purchase Agreement are subject to the satisfaction (or waiver by the Sellers in writing) of the following conditions:

- (i) each of the representations of the Assignor shall be true in all respects as of the First Completion Date or the Second Completion Date or the Third Completion Date (as the case may be);
- (ii) the Assignor shall have performed and complied in all material respects with all covenants and agreements required by the Purchase Agreement to be performed and complied with by it on or prior to the First Completion Date or the Second Completion Date or the Third Completion Date (as the case may be);
- (iii) all of the documents required to be delivered by the Assignor at Completion pursuant to the terms and conditions of the Purchase Agreement shall have been delivered in accordance with the terms thereof;
- (iv) no law shall be in effect and no order shall have been entered, in each case, that (a) restrains, enjoins or prohibits the performance of all or any part of the Purchase Agreement or the consummation of the transactions, or (b) declares unlawful the Purchase Agreement or the consummation of the transactions;
- (v) the Assignor shall have obtained those permits, licenses and approvals in relation to the operations of the Properties; and
- (vi) the Assignor and the Sellers shall have obtained the approval of OHCS as required in connection with the early payoff of the existing loan and other agreements for the transaction of one of the Properties.

If any of the conditions above is not satisfied at or prior to the First Completion Date or the Second Completion Date (as the case may be) or, in respect of the Third Batch Property, the date that is six months after the First Completion Date (except by reason of a default by the Sellers), the Sellers may (a) waive any of such conditions and proceed to Completion;

or (b) terminate the Purchase Agreement, in which case the Assignor shall receive a return of the deposits already paid less US\$50 from the Escrow Agent and neither party shall have any further obligation or liability to the other, except with respect to those provisions of the Purchase Agreement which expressly survive a termination of the Purchase Agreement; or (c) if such failure constitutes a default by the Assignor, exercise its remedies pursuant to the Purchase Agreement including forfeiting the deposits to the Sellers.

Completion

Completion shall take place on three separate dates, being (i) 2 July 2018 for the First Batch Properties, (ii) 1 August 2018 for the Second Batch Properties, and (iii) the date that is seven business days after all the conditions precedent in favour of the Assignor are satisfied for the Third Batch Property, or such other later date as the parties may mutually agree in writing.

Post Completion obligation

Of the First Batch Properties, there are certain zoning non-compliance issues at one property. The corresponding Seller of such property shall use commercially reasonable good faith efforts and diligence to obtain the appropriate variances/approvals from relevant authorities addressing the non-conforming aspects of the property (the "Approvals"). The Holdback Amount shall be released to the corresponding Seller if the Approvals have been obtained within six months after the First Completion Date, failing which the Assignor is entitled to retain the Holdback Amount.

THE ESCROW AGREEMENT

Date

14 February 2018 (as amended on 25 May 2018)

Parties

- (i) The Sellers;
- (ii) the Assignor; and
- (iii) the Escrow Agent.

Subject matter

Pursuant to the Escrow Agreement, the parties agreed to appoint the Escrow Agent and the Escrow Agent agreed to hold, administer, safeguard and disburse the deposits paid or payable by the Assignor under the Purchase Agreement pursuant to the terms of the Escrow Agreement. The Escrow Agreement shall terminate upon the distribution by the Escrow Agent of the deposits held by it.

The Sellers and the Assignor agreed to pay equally all of the Escrow Agent's expenses reasonably incurred in connection with the Escrow Agreement.

INFORMATION OF THE SELLERS, THE ASSIGNOR AND THE ESCROW AGENT

As disclosed in the announcement of the Company dated 2 June 2011, the Company has engaged Kinetic Capital Company Limited (“Kinetic”), an adviser and asset manager which is independent of the Company and its connected persons, to assist in identifying investment targets, designing investment structure and devising post-investment plans for ongoing asset management and operations. Through the services and advice of Kinetic, the Assignor entered into the Purchase Agreement and the Assignees entered into the Assignment Agreement with the Assignor to take up the rights and obligations under the Purchase Agreement to acquire the Properties. In consideration of Kinetic providing the advices and services to the Group as described above, it shall receive consulting and asset management fee from the Group.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) the Sellers are all entities owned by HCP, Inc., a publicly-traded company and a fully integrated real estate investment trust that invests primarily in real estate serving the healthcare industry in the U.S.; (ii) the Assignor is engaged in private equity real estate business including providing due diligence and underwriting and asset management services for real estate transactions; (iii) the Escrow Agent is engaged in the provision of title insurance protection and professional settlement services for real estate transactions; and (iv) the Sellers, the Assignor, the Escrow Agent, Kinetic and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION OF THE PROPERTIES

The Properties comprise 10 senior housing properties, of which three are located in the State of Oregon, three in the State of Washington, two in the State of New Mexico, and one in each of the States of Nevada and Nebraska in the U.S. The Properties together provide an aggregate of approximately 1,060 units (as independent living units, assisted living and memory care services which are available to residents through a third-party home healthcare company) with a total rentable area of over 450,000 square feet. Based on the information provided by the Sellers, the historical overall average occupancy rate of the Properties was over 70%. Based on the preliminary valuation prepared by an independent professional valuer using direct capitalisation approach, the aggregate market value of the Properties as at valuation dates between 27 February 2018 to 8 March 2018 amounts to approximately US\$70,100,000 (equivalent to approximately HK\$550.1 million).

Set out below is the key historical financial information attributable to the Properties for each of the two years ended 31 December 2016 and 2017, based on the management accounts provided by the Sellers:

	For the year ended 31 December 2016		For the year ended 31 December 2017	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	<i>US\$'000</i>	<i>Equivalent to HK\$'000</i>	<i>US\$'000</i>	<i>Equivalent to HK\$'000</i>
Revenue	28,542	223,998	27,779	218,010
Net operating income before deducting management fee payable to operator	6,992	54,873	5,891	46,233

As advised by the Sellers, the senior housing services at the Properties are currently operated by a third-party company. Following Completion, the Group intends to engage another company, which is a third party independent of the Company and its connected persons, for the operation of the senior housing services at the Properties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the principal activities of its subsidiaries include construction and engineering, property investment, property development and operations, senior housing and car dealership.

Since 2011, the Group has been engaged in the senior housing business in the U.S. As of today, the Group owns 25 senior housing facilities in the U.S. providing over 2,000 beds to serve different needs of the aged population. According to the latest available statistics published by the United States Census Bureau (the "U.S. Census Bureau") of the Economics and Statistics Administration under the Department of Commerce in the U.S., as of July 2017, the nation's population in the age group of 65 years or above totaled approximately 49,244,000 which accounted for approximately 15.2% of the total population in the U.S. The U.S. Census Bureau projects that the population of U.S. residents aged 65 or above will continue to increase and reach 73,138,000 in 2030, accounting for more than 20% of the then forecasted total national population. In view of the expected rise in aged population, the Directors are confident that demand for senior housing facilities will continue to grow in the U.S. and the Acquisition provides the Group with a good opportunity to expand its senior housing portfolio amid the promising outlook of the senior housing business segment in the U.S.

Taking into account the aforesaid reasons and the capitalisation rate of approximately 9.0% calculated based on the Consideration and the aggregate net operating income (before deducting management fee payable to operator) of the Properties of approximately US\$5,891,000 for the year ended 31 December 2017, the Directors consider that the terms of the Assignment Agreement and the Purchase Agreement are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Assignees intend to fund the Consideration by internal resources of the Group and/or borrowings from financial institutions.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Properties by the Group contemplated under the Assignment and the Purchase Agreement
“Assignees”	NE4 Lexington, LLC, NM4 Country Club, LLC, NM4 Rio Rancho, LLC, NV4 Cheyenne, LLC, OR4 Chestnut Lane, LLC, OR4 Hermiston, LLC, OR4 Park Place Tigard, LLC, WA4 Englewood Heights, LLC, WA4 Moses Lake, LLC and WA4 South Hill, LLC, all being indirect wholly-owned subsidiaries of the Company
“Assignment”	the proposed assignment of the rights and obligations under the Purchase Agreement by the Assignor to the Assignees
“Assignment Agreement”	the agreement dated 25 May 2018 between the Assignor and the Assignees in respect of the Assignment
“Assignor”	JF Capital, LLC
“Board”	the board of Directors
“Company”	Chevalier International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock code: 25)
“Completion”	consummation of the Acquisition in accordance with the terms and conditions of the Purchase Agreement

“Consideration”	the consideration for the sale and purchase of the Properties pursuant to the Purchase Agreement
“Director(s)”	the director(s) of the Company
“Due Diligence Period”	the period from the date of the Purchase Agreement until 29 May 2018
“Escrow Agreement”	the agreement dated 14 February 2018 entered into among the Sellers, the Assignor and the Escrow Agent (as amended on 25 May 2018)
“Escrow Agent”	First America Title Insurance Company, a Nebraska Corporation
“First Batch Properties”	being six of the Properties, namely Brookdale Lexington, Brookdale Rio Rancho, two lots within Brookdale Country Club, Brookdale Chestnut Lane, Brookdale Hermiston and Brookdale Park Place Tigard
“First Completion Date”	being the date on which Completion of the acquisition of the First Batch Properties takes place
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“OHCS”	the Housing and Community Services Department of the Oregon State
“Properties”	ten senior housing properties located in the U.S. (i.e. the First Batch Properties, the Second Batch Properties and the Third Batch Property)
“Purchase Agreement”	the agreement dated 14 February 2018 entered into among the Assignor and the Sellers in respect of the sale and purchase of the Properties (as amended on 2 April 2018, 30 April 2018, 15 May 2018 and 25 May 2018)
“Second Batch Properties”	being four of the Properties, namely Brookdale Cheyenne, Brookdale South Hill, Brookdale Englewood Heights and Brookdale Moses Lake

“Second Completion Date”	being the date on which Completion of the acquisition of the Second Batch Properties takes place
“Sellers”	being the existing owners of the Properties and the vendors of the Properties under the Purchase Agreement
“Shareholder(s)”	holder(s) of the ordinary share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Batch Property”	being the property located on 310 W. Mescalero Rd., Roswell, NM
“Third Completion Date”	being the date on which Completion of the acquisition of the Third Batch Property takes place
“U.S.”	The United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the U.S.
“%”	per cent.

For ease of reference, sums in HK\$ and US\$ in this announcement are translated at the rate of US\$1 = HK\$7.848. This does not mean that US\$ could be converted into HK\$ or vice versa based on such exchange rate.

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

Hong Kong, 25 May 2018

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*