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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**

## **PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF, AND SHAREHOLDER'S LOAN TO, THE TARGET COMPANY**

### **THE TERM SHEET**

On 10 December 2018 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Term Sheet, pursuant to which the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Share and the Sale Debt, at the Consideration of HK\$540,241,892, subject to adjustment, if applicable.

The Sale Share represents the entire issued share capital of the Target Company as at Completion and the Sale Debt represents the entire amount owing by the Target Company to the Seller as at Completion.

The Term Sheet is legally binding in nature.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

**As Completion is subject to fulfilment and/or waiver of the Conditions Precedent, the Proposed Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 10 December 2018 (after trading hours), the Seller (being an indirect wholly-owned subsidiary of the Company) conditionally agreed to sell to the Purchaser the Sale Share and the Sale Debt at the Consideration (subject to adjustment, if applicable) by entering into the Term Sheet in respect of the Proposed Disposal.

The principal terms of the Term Sheet are set out below.

## **THE TERM SHEET**

Date 10 December 2018

Parties (1) the Seller (an indirect wholly-owned subsidiary of the Company);  
and  
(2) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company and its connected persons.

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

On and subject to the terms and conditions contained in the Term Sheet, the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to acquire (i) the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Sale Debt, representing the entire amount owing by the Target Company to the Seller as at Completion. As at 30 November 2018, the Target Company owed the Seller a sum of approximately HK\$359,037,000.

### **Consideration**

On the basis that the total GFA of the Site is 7,374.768 sq. m. (with original permitted GFA of 6,688.968 sq. m. plus the Additional GFA of 685.80 sq. m.), the Consideration for the Proposed Disposal is HK\$540,241,892. In the event that the Seller fails to obtain or the Additional GFA obtained is less than 685.80 sq. m. at or before Completion, the Purchaser shall complete the acquisition of the Sale Share and the Sale Debt with the Consideration being reduced by the Adjustment Amount of HK\$73,255 for every square metre in the shortfall of the Additional GFA of 685.80 sq. m., subject to further adjustment as follows (if applicable):

- (i) the Purchaser shall use its best endeavour to obtain, and shall provide full assistance and co-operation to the Seller to facilitate the obtaining of, the Additional GFA from the Building Authority on or before 31 December 2019; and

- (ii) if approval of the Additional GFA is obtained on or before 31 December 2019, the Purchaser undertakes to pay to the Seller a sum representing the Additional GFA obtained from the Building Authority at HK\$73,255 for every square metre within 14 days after the date of notification by the Seller to the Purchaser of the obtain of the Additional GFA.

The Consideration shall be payable by the Purchaser in the following manner:

- (i) the Deposit of HK\$54,024,189.20, representing 10% of the Consideration (before adjustment, if any) and forming part of the Consideration at Completion, was paid by the Purchaser to the Seller upon the signing of the Term Sheet;
- (ii) the Part Payment of HK\$54,024,189.20, representing 10% of the Consideration (before adjustment, if any) and forming part of the Consideration at Completion, shall be payable by the Purchaser to the Seller within 50 days from the date of the Term Sheet, subject to satisfaction (or absence of written notice to the contrary) within the DD Period of the due diligence to be conducted by the Purchaser on the Target Group and the Site; and
- (iii) the remaining sum of the Consideration less the aggregate sum of the Deposit, the Part Payment and (where applicable) the Adjustment Amount shall be payable at Completion.

### **Basis of consideration**

The Consideration was arrived at after arm's length negotiations between the Seller and the Purchaser on normal commercial terms after taking into account the estimated market value of the Site which is determined by reference to comparable sale transactions of similar properties in the same district in Hong Kong.

### **Conditions Precedent to Completion**

Subject to the terms of the Term Sheet, Completion is conditional upon the following Conditions Precedent being fulfilled and/or waived (where applicable) on or before Completion:

- (a) the Company having complied with the Listing Rules in respect of the Proposed Disposal;
- (b) the Seller having procured that Almax has shown and proved a good title to the Site in accordance with section 13 of the CPO and giving title to the Site in accordance with section 13A of the CPO; and
- (c) the Seller or its affiliated company having been appointed by the Purchaser as the project manager of the development of the Site at an agreed management fee per month for performing such scope of works and services as set out in the Term Sheet upon Completion and the Purchaser having delivered the duly executed PMA (together with the relevant board resolutions of the Purchaser) to the Seller upon Completion.

The Condition Precedent set out in paragraph (a) above cannot be waived. In the event that such Condition Precedent cannot be fulfilled by the Seller, the Term Sheet shall cease and terminate and the Seller shall return the Deposit and the Part Payment (without interest)(if any) to the Purchaser within 10 days from the date of notice of termination from the Seller. Upon return of the Deposit and the Part Payment, neither Party shall make any claim against the other Party for any loss and damages howsoever arising out of the Proposed Disposal or enforce specific performance.

If the Condition Precedent set out in paragraph (b) above has not been fulfilled by the Seller (or waived by the Purchaser) on or before Completion, the Purchaser may terminate the Term Sheet on the Completion Date, and in such case the Seller shall return the Deposit and the Part Payment (without interest) (if any) to the Purchaser within 10 days from receipt of a notice of termination from the Purchaser. Upon return of the Deposit and the Part Payment, neither Party shall make any claim against the other Party for any loss and damages howsoever arising out of the Proposed Disposal or enforce specific performance.

If the Condition Precedent set out in paragraph (c) above has not been fulfilled by the Purchaser on or before Completion, the Seller shall be entitled to (i) forfeit the Deposit and terminate the Term Sheet without prejudice to the Seller's rights to claim against the Purchaser for any damages and/or to enforce specific performance and (ii) retain and continue to hold the Part Payment as a security for and pending the settlement of all claims which the Seller may have against the Purchaser.

### **Due diligence**

After the signing of the Term Sheet and the payment of Deposit, the Purchaser may conduct a due diligence investigation on the Target Group and the Site during the DD Period, subject to the terms of the Term Sheet.

If the Purchaser is not satisfied with the due diligence investigation, the Purchaser may terminate the Term Sheet by notice in writing to the Seller within 40 days from the date of the Term Sheet, following which the Term Sheet shall then cease and terminate and the Seller shall return the Deposit (without interest) (if any) to the Purchaser within 10 days from the date of receipt by the Seller of the notice of termination. Upon return of the Deposit, neither Party shall make any claim against the other Party for any loss and damages howsoever arising out of the Proposed Disposal or enforce specific performance. The Purchaser is deemed to have been satisfied with the due diligence investigation upon payment of the Part Payment.

### **Legal effect and SPA signing**

The Term Sheet is legally binding in nature. Pursuant to the Term Sheet, the Parties shall enter into the SPA within 50 days from the date of the Term Sheet. If the Parties are unable to enter into the SPA, the Term Sheet shall remain valid and of full force and effect.

### **Completion**

Subject to the fulfilment, satisfaction and/or waiver of the Conditions Precedent, Completion shall take place on the Completion Date.

Immediately after Completion, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company and the Group will cease to hold any equity interest in any of the Target Group.

## **INFORMATION ABOUT THE TARGET GROUP AND THE SITE**

### **The Target Group**

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 1 December 2016. The Target Company is principally engaged in investment holding and is the sole shareholder of Goldfame, which is an investment holding company and in turn is the sole shareholder of Almax.

Almax is principally engaged in property investment and is currently holding the Site. As at the date of the announcement, the Site is the only major asset of the Target Group.

### **Financial Information of the Target Group**

Set out below is certain unaudited consolidated financial information of the Target Group for the periods from 1 January 2017 to 31 March 2018 and 1 April 2018 to 30 November 2018 respectively:

	<b>For the period</b>	
	<b>From 1 April 2018 to 30 November 2018 (Note) HK\$'000 (unaudited)</b>	<b>From 1 January 2017 to 31 March 2018 (Note) HK\$'000 (unaudited)</b>
Profit/(Loss) before taxation	(38)	9,297
Profit/(Loss) after taxation	(35)	9,405

*Note:* Subsequent to the acquisition of the Target Company by the Group in 2017 (details of which are disclosed in the announcement of the Company dated 10 August 2017), the financial year end date of the members of the Target Group have been changed from 31 December to 31 March.

As at 30 November 2018, the unaudited consolidated total asset value and net asset value of the Target Group were approximately HK\$370,418,000 and HK\$11,330,000 respectively.

### **The Site**

The Site, which is currently under development, is located at No. 4 Tai Yip Street, Kowloon, Hong Kong. As at 30 November 2018, the book value of the Site was approximately HK\$367,390,000.

## **INFORMATION ABOUT THE PURCHASER**

The Purchaser is a company incorporated in Hong Kong and limited by guarantee. The Purchaser is a medical institution of the Baptist Convention of Hong Kong, which provides hospital and clinic services.

## **INFORMATION ABOUT THE GROUP**

The Seller is an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

The Company is an investment holding company and the principal activities of the Group include construction and engineering, property investment, property development and operations, healthcare investment and car dealership.

## **REASONS AND BENEFITS FOR THE PROPOSED DISPOSAL**

Upon Completion, the Group expects to record a gain on disposal of approximately HK\$165,075,000 (subject to the Adjustment Amount, if any), being the Consideration less the Sale Debt as at 30 November 2018 of approximately HK\$359,037,000, the unaudited net asset value of the Target Group as at 30 November 2018 of HK\$11,330,000 and the estimated transaction costs of approximately HK\$4,800,000. The actual gain as a result of the Proposed Disposal to be recorded by the Group is subject to audit and will be assessed after Completion taking into account of the Adjustment Amount, if any and any further adjustment.

The Proposed Disposal will generate cash inflow to the Group and enhance its liquidity and working capital position. The Group intends to utilise the proceeds from the Proposed Disposal as general working capital and/or future investment opportunities of the Group as and when appropriate.

Taking into account the abovementioned factors, the Directors are of the view that the terms of the Term Sheet (and the Proposed Disposal as contemplated thereunder) are made on normal commercial terms and are fair and reasonable, and that the entering into of the Term Sheet and the Proposed Disposal are in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal exceeds 5% but is less than 25%, the Proposed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

**As Completion is subject to fulfilment, satisfaction and/or waiver of the Conditions Precedent, the Proposed Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.**

## DEFINITIONS

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

“Additional GFA”	the total additional GFA of 685.80 sq. m. to be approved by the Building Authority in respect of the Site
“Adjustment Amount”	such aggregate sum of HK\$73,255 for every square metre in the shortfall of the Additional GFA to be reduced from the Consideration, if applicable
“Almax”	Almax Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target Company
“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”	completion of the Proposed Disposal in accordance with the Term Sheet and the SPA (where applicable)
“Completion Date”	a date, being the 120th day from the date of the Term Sheet or such earlier date which may be agreed by the Seller and the Purchaser
“Conditions Precedent”	conditions for Completion set forth in the paragraph headed “Conditions Precedent to Completion” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$540,241,892 (subject to adjustment as set out in the sub-section headed “The Term Sheet-Consideration” of this announcement, if applicable)
“CPO”	Conveyancing and Property Ordinance (Cap. 219, Laws of Hong Kong)
“DD Period”	a 30-day period from the date of the Term Sheet
“Deposit”	a deposit of HK\$54,024,189.20 paid by the Purchaser upon signing of the Term Sheet
“Director(s)”	director(s) of the Company

“GFA”	gross floor area
“Goldfame”	Goldfame Asset Management Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Part Payment”	a part payment of HK\$54,024,189.20 payable by the Purchaser in accordance with the terms of the Term Sheet
“Party(ies)”	party(ies) to the Term Sheet
“PMA”	a project management agreement to be signed by the Purchaser in accordance with the Term Sheet, which shall contain the major terms and scope of works as set out in the Term Sheet
“Proposed Disposal”	the proposed disposal of the Sale Share and the assignment of the Sale Debt by the Seller to the Purchaser pursuant to the terms and conditions of the Term Sheet and (where applicable) the SPA
“Purchaser”	Hong Kong Baptist Hospital, a company incorporated in Hong Kong limited by guarantee, being the purchaser under the Term Sheet
“Sale Debt”	all amounts owing by the Target Company to the Seller as at Completion
“Sale Share”	1 ordinary share of the Target Company to be sold by the Seller to the Purchaser, representing the entire issued share capital of the Target Company as at Completion
“Seller”	Jumbo Gate Limited, a company incorporated in the British Virgin Islands with limited liability, being an indirect wholly-owned subsidiary of the Company as at the date of this announcement and the seller under the Term Sheet
“Shareholder(s)”	holder(s) of share(s) of the Company

“Site”	all that piece or parcel of ground registered in the Land Registry as Kwun Tong Inland Lot No. 682 together with the messuages erections and buildings thereon now known as No. 4 Tai Yip Street, Kowloon, Hong Kong
“SPA”	a formal agreement for the sale and purchase of the Sale Share and the Sale Debt, if executed by the parties to the Term Sheet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Moon Colour Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	collectively, the Target Company, Goldfame and Almax
“Term Sheet”	the term sheet dated 10 December 2018 entered into between the Seller and the Purchaser in relation to the Proposed Disposal
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“sq. m.”	square metres
“%”	per cent.

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

10 December 2018

*As at the date of this announcement, the Board comprises Mr. Kuok Hoi Sang (Chairman and Managing Director), Mr. Tam Kwok Wing (Deputy Managing Director), Mr. Ho Chung Leung, Mr. Ma Chi Wing and Miss Lily Chow as Executive Directors; 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