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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 OPTION AGREEMENT IN RELATION TO THE GRANT OF THE OPTION

THE OPTION AGREEMENT

The Board is pleased to announce that on 11 March 2019, after trading hours, Willowridge (the grantor), a wholly-owned subsidiary of the Company, Rich Prosperity (the grantee), an Independent Third Party, the Company (the guarantor of Willowridge and the Target Company) and the Target Company entered into the Option Agreement in relation to the grant of the Option.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the transactions contemplated under the Option Agreement exceeds 5% but all of them are less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

Under Rule 14.74 of the Listing Rules, the grant of the Option (the exercise of which is not at the discretion of the Company) shall be treated as if the Option had been exercised. Both the Option Price and the Purchase Price have been taken into account for the purpose of determining the applicable percentage ratios under Chapter 14 of the Listing Rules.

THE OPTION AGREEMENT

Date

11 March 2019

Parties

- (1) Willowridge (the grantor)
- (2) Rich Prosperity (the grantee)
- (3) The Company (the guarantor of Willowridge and the Target Company)
- (4) The Target Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Rich Prosperity and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Option Agreement, Willowridge has agreed that in consideration of the Option Price, Willowridge shall grant to Rich Prosperity the Option.

The Option grants Rich Prosperity (or its nominee(s)) a right (but not the obligation) to require Willowridge, the Company and the Target Company to enter into the Sale and Purchase Agreement to sell the Sale Share and the Sale Loan to Rich Prosperity at the Purchase Price.

Once Rich Prosperity pays Willowridge the Option Price to acquire the Option, such amount shall not be refundable regardless of whether the Option is exercised on the Exercise Date, save and except in the event that Willowridge is in material breach of the terms of the Option Agreement or the Sale and Purchase Agreement.

The Company, as primary obligor and not merely as surety, unconditionally and irrevocably undertakes and guarantees to Rich Prosperity, the full, prompt, complete and due performance by Willowridge and/or the Target Company of all and any of their obligations under the Option Agreement, as well as the payment obligation of Willowridge and/or the Target Company under the Option Agreement, in the event that any of them is in default.

Amounts payable

- (1) Option Deposit of HK\$9,350,000 paid prior to the signing of the Option Agreement;
- (2) The balance of the Option Price of HK\$28,050,000, being HK\$18,700,000, for the grant of the Option payable on the signing of the Option Agreement; and
- (3) Purchase Price of HK\$158,950,000 (subject to final adjustment) for the purchase of the Sale Share and the Sale Loan payable on Completion.

The Option Price and the Purchase Price were determined after arm's length negotiations with reference to the current market value of the Property.

Option Price

The balance of the Option Price of HK\$18,700,000 has been paid by Rich Prosperity to Willowridge upon signing of the Option Agreement which, together with the Option Deposit paid prior to the signing of the Option Agreement, forms the entire amount of the Option Price.

Due Diligence

Prior to the signing of the Option Agreement, Rich Prosperity has conducted and is reasonably satisfied with the Due Diligence.

Exercise of Option

Subject to the terms of the Option Agreement, Rich Prosperity is entitled to exercise the Option by giving written notice on the Exercise Date to Willowridge, and on 12 June 2019 (or such other date as the parties may agree in writing), Rich Prosperity shall enter into the Sale and Purchase Agreement with Willowridge, the Company and the Target Company.

The Sale and Purchase

Under the Sale and Purchase Agreement, Willowridge shall, as legal and beneficial owner sell the Sale Share and Rich Prosperity (or its nominee(s)) shall, relying on the warranties, purchase the Sale Share subject to the terms of the Sale and Purchase Agreement but otherwise free from encumbrances.

On Completion, among other matters, the Company shall as beneficial owner assign the full benefit and interest in the Sale Loan to Rich Prosperity (or its nominee(s)) relying on the warranties subject to the terms of the Sale and Purchase Agreement and the loan assignment but otherwise free from encumbrances.

Neither Rich Prosperity or Willowridge shall be obliged to purchase or sell the Sale Share unless the sale and purchase of all the Sale Share and the assignment of the Sale Loan are completed simultaneously.

Conditions of the Sale and Purchase

The completion of the Sale and Purchase shall be conditional on the fulfillment of the following conditions precedent:

- (i) vacant possession of the Property to be delivered (via the acquisition of the Target Company) to Rich Prosperity on Completion;
- (ii) there having been no breach of the warranties set out in the Sale and Purchase Agreement from the date of the Sale and Purchase Agreement up to and inclusive of the Completion Date; and
- (iii) all necessary consents, approvals and authorisations having been obtained from all relevant authorities (including the Stock Exchange, if any) in connection with the Sale and Purchase, the implementation of all transactions contemplated thereunder and all other matters incidental thereto.

Completion

Completion is subject to satisfaction of the conditions set out in the Sale and Purchase Agreement and shall take place on the Completion Date. Upon Completion, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a property holding company which owns the Property. Based on the audited accounts of the Target Company for the period from the date of incorporation on 27 January 2017 to 31 March 2018, the Target Company recorded a net profit before and after taxation of approximately HK\$9,066,000, mainly due to the increase in fair value of the Property of approximately HK\$9,600,000. Based on the unaudited management accounts of the Target Company, for the period from 1 April 2018 to 28 February 2019, the Target Company recorded a net loss before and after taxation of approximately HK\$408,000 mainly for the administrative expenses incurred. As at 28 February 2019, the unaudited carrying value of the Group's investment in the Target Company is approximately HK\$132,800,000.

EXPECTED GAIN FROM THE SALE AND PURCHASE

Upon completion of the Sale and Purchase, it is estimated that the Company will realise a gain on disposal of approximately HK\$51,800,000, being the aggregate of the Option Price and the Purchase Price less the unaudited carrying value of the Group's investment in the Target Company as at 28 February 2019 and the estimated transaction costs of approximately HK\$2,400,000. In addition, the accumulated fair value surplus of approximately HK\$47,300,000 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 exact amount of the gain from the Sale and Purchase to the Company is subject to adjustments and audit and may therefore be different from the amounts mentioned above as the actual gain or loss will depend on, among other things, the actual carrying value of the Group's investment in the Target Company as at the Completion Date.

REASONS FOR AND BENEFITS OF ENTERING INTO THE OPTION AGREEMENT

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

As the Property was acquired by the Group in 1979 and 1980, the Board would like to realise the gain on disposal from the appreciated value of the Property since acquisition. The Board intends to apply the net proceeds from the Sale and Purchase to the general working capital of the Group and operation of current principal businesses of the Group.

Taking into account the above factors, the Directors consider that the terms of the Option Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE COUNTERPARTY

Rich Prosperity's principal business activity is holding property investments.

LISTING RULES IMPLICATION

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Under Rule 14.74 of the Listing Rules, the grant of the Option (the exercise of which is not at the discretion of the Company) shall be treated as if the Option had been exercised. Both the Option Price and the Purchase Price have been taken into account for the purpose of determining the applicable percentage ratios under Chapter 14 of the Listing Rules.

Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when required.

DEFINITIONS

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

“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 Sale and Purchase
“Completion Date”	12 June 2019 (or such later date as the parties to the Sale and Purchase Agreement may agree in writing), subject to satisfaction of the conditions set out in the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Due Diligence”	due diligence exercise conducted by Rich Prosperity over the Target Company and the Property

“Exercise Date”	10 June 2019 (or such later date as the parties to the Option Agreement may agree in writing)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option to enter into the Sale and Purchase Agreement on the Exercise Date
“Option Agreement”	the agreement dated 11 March 2019 entered into by Willowridge (as grantor), Rich Prosperity (as grantee), the Company (as guarantor) and the Target Company containing, among others, all the principal terms with respect to the Option, as well as the form of the Sale and Purchase Agreement
“Option Deposit”	the deposit of HK\$9,350,000 paid prior to the signing of the Option Agreement
“Option Price”	the option price for the grant of Option of HK\$28,050,000 (inclusive of the Option Deposit)
“PRC”	the People’s Republic of China
“Purchase Price”	the purchase price for the purchase of the Sale Share and the Sale Loan of HK\$158,950,000 (subject to final adjustment)
“Property”	the property situated at the Ground Floor of Block A and the Ground Floor of Block B, East Sun Industrial Centre, together with Car Park Space Nos. 23 and 24, Ground Floor, East Sun Industrial Centre, Kwun Tong, Kowloon, Hong Kong
“Rich Prosperity”	Rich Prosperity Development (HK) Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party

“Sale and Purchase”	the sale and purchase of the Sale Share and the assignment of the Sale Loan on the Completion Date at the Purchase Price
“Sale and Purchase Agreement”	a sale and purchase agreement in a form annexed to the Option Agreement and, in the event Rich Prosperity exercises the Option, to be entered into between Willowridge (as vendor), Rich Prosperity (as purchaser), the Company (as guarantor) and the Target Company with respect to the Sale and Purchase
“Sale Share”	the entire issued share capital of the Target Company, beneficially and legally held solely by Willowridge
“Sale Loan”	all loans due to the Company, Willowridge and/or its associates by the Target Company
“Shareholder(s)”	holder(s) of the ordinary share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	New Rise Properties Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Willowridge
“Transaction”	the transactions contemplated under the Option Agreement
“Willowridge”	Willowridge Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 11 March 2019

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; Mr. Yang Chuen Liang, Charles, Professor Poon Chung Kwong, Mr. Irons Sze and Mr. Sun Leland Li Hsun as Independent Non-Executive Directors; Dr. Ko Chan Gock, William and Mr. Chow Vee Tsung, Oscar as Non-Executive Directors.

* *For identification purpose only*