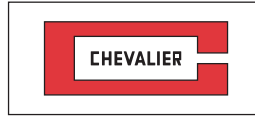


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CHEVALIER INTERNATIONAL HOLDINGS LIMITED

其士國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 25)

DISCLOSEABLE TRANSACTION

On 21 November 2022 (after trading hours of the Stock Exchange), the Seller, an indirect wholly-owned subsidiary of the Company, entered into the Agreement of Purchase and Sale with the Buyer, under which the Seller has agreed to sell and the Buyer has agreed to purchase the Disposal Assets for a total consideration of (i) US\$17.9 million (equivalent to approximately HK\$139.6 million) and (ii) the Earnout Payment (defined below).

As the applicable percentage ratios exceed 5% but are less than 25%, the transaction contemplated under the Agreement of Purchase and Sale constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

AGREEMENT OF PURCHASE AND SALE

Date

21 November 2022

Parties

- (i) MI4 Ashford, LLC, as the Seller; and
- (ii) Titan SenQuest Management, Inc., as the Buyer.

Disposal Assets

The Disposal Assets include, amongst other things, (i) a real property located at 37501 Joy Road in Westland, Michigan, U.S. (the “Property”); (ii) 143-unit independent living facility located in the Property (the “Facility”) which is currently operated by Holiday pursuant to a management agreement entered into by the Seller and Holiday which shall be terminated upon Closing; and (iii) assets associated with the Property and the Facility which include, amongst other things, (a) fee title to the Property; (b) all governmental permits and approvals associated with the Property and the operation of the Facility; (c) all of the Seller’s right, title in and to all consumable inventories of every kind and nature located on the Property and used or held for use in connection with the operation of the Facility (the “Inventories”); (d) all right, title and interest of the Seller in and to all tangible personal property owned by the Seller located on the Property and used or held for use in connection with the operation of the Facility; (e) all right, title and interest of the Seller in and to any and all intangible personal property owned by the Seller and used exclusively in the ownership, use and operation of the Property and/or Facility; (f) vehicles owned by the Seller; and (g) all of the Seller’s right, title and interest in and to the equipment leases, maintenance contracts and service contracts which are approved by the Buyer (the “Assumed Contracts”) and all residential agreements (the “Residential Agreements”) and certain lease between the Seller and Homestead Healthcare and all other non-residential leases (the “Assumed Leases”) (the “Assets”, collectively with the Property and the Facility, the “Disposal Assets”).

The Buyer will not acquire, amongst other things, (i) all of the Seller’s and/or Holiday’s bank accounts, demand deposit accounts, insurance policies, cash, general intangibles, utility deposits, accounts receivables, credits against accounts payable, cash equivalents and securities, promissory notes, and investments maintained in the Seller’s and/or Holiday’s accounts; (ii) all actions, suits, claims, rights and chooses in action by, against or in favour of the Seller; (iii) rights to payments, reimbursements or refunds with respect to the Facility which relate to the period prior to Closing; (iv) tax records of the Seller or Holiday, the Seller’s or Holiday’s organisational documents, minute books, and corporate and stock books and records of the Seller or Holiday relating to it as an entity; (v) vehicles leased by the Seller and used in connection with the operation of the Facility; (vi) any assets that are not used or held for use exclusively with respect to the Facility, and any personal property in which the Seller and/or Holiday has no interest; (vii) tradenames and trademarks related to the corporate name of the Seller and Holiday or any of their respective affiliates or subsidiaries; (viii) all vendor or service arrangements for the benefit of multiple senior living communities, including the Facility and other communities owned, leased or managed by the Seller and Holiday or any of their respective affiliates or subsidiaries; and (ix) all permits, licenses, approvals and authorizations issued, granted or given by or under the authority of any federal, state or local governmental organisation relating in any way to the ownership or operation of the Facility and that are (a) not transferrable pursuant to applicable law or (b) issued to any provider of services at the Facility for the purpose of providing services at the Facility and at other facilities (whether now or in the future).

Consideration

The Consideration for the Disposal is the sum of:

- (a) US\$17.9 million (equivalent to approximately HK\$139.6 million) (the “Closing Purchase Price”) which shall be paid as follows:
- (1) within 3 Business Days following the date of execution of the Agreement of Purchase and Sale, the Buyer shall open an escrow and deposit the sum of US\$179,000 (equivalent to approximately HK\$1.4 million) by wire transfer or cashier’s check with the escrowholder (the “Deposit”); and
 - (2) not later than 1 Business Day prior to the Closing Date, the balance of the Closing Purchase Price (the Closing Purchase Price less the Deposit) shall be deposited with the escrowholder.

The Closing Purchase Price is subject to the closing adjustments which may arise from, amongst other things, fees and rents payable under the Assumed Leases and Residential Agreements, taxes, operating expenses incurred in the ordinary course of business for the management and operation of the Property and/or Facility, utility charges and security deposits under the Assumed Contracts, etc. (the “Closing Adjustments”).

- (b) an earnout payment, if any, which shall be calculated as follows:

“Facility Revenue” shall mean all income and revenue generated from the Property and/or Facility as determined on an accrual basis in accordance with GAAP for the Earnout Period in question;

“Facility Expenses” shall mean actual operating expenses related to the Property and Facility as determined on an accrual basis in accordance with GAAP for the Earnout Period in question;

“Net Operating Income” shall mean Facility Revenue less Facility Expenses;

“Earnout Period” shall mean the 6 calendar month period beginning with the first full calendar month after the Closing; and

“Annualised 6 Month Operating Income” shall mean the product of 2 multiplied by Net Operating Income for the Earnout Period.

Earnout payment shall mean the product of (i) 4 multiplied by (ii) the difference of Annualised 6 Month Operating Income minus US\$1.4 million (equivalent to approximately HK\$10.9 million) (the “Earnout Payment”). The Earnout Payment shall be capped and limited to a maximum of US\$3.0 million (equivalent to approximately HK\$23.4 million) and shall not be less than zero.

Not later than 20 Business Days after the conclusion of the Earnout Period, the Buyer shall deliver to the Seller a statement on the Earnout Payment. If there is no dispute on the content, that statement shall become final and binding within 20 Business Days after the Seller's receipt of it. In that case, the Buyer shall pay the Earnout Payment to the Seller within 10 Business Days following the expiration of the foregoing 20 Business Day period.

The Consideration was determined after arm's length negotiations between the Seller and the Buyer taking into account of (i) the total book value of the Disposal Assets as at 30 September 2022 amounting to approximately US\$19.2 million (equivalent to approximately HK\$149.8 million); and (ii) the net profit before taxation attributable to the Disposal Assets for the year ended 31 March 2022 and 31 March 2021 amounted to approximately US\$439,000 (equivalent to approximately HK\$3.4 million) and US\$139,000 (equivalently HK\$1.1 million) respectively.

Closing of the Disposal

Closing shall occur on the Closing Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The Group has been investing in senior housing properties and related facilities in the U.S. since 2011. From time to time, the Group will rearrange the portfolio in order to enhance the overall performance of the Group's healthcare investments. Having considered a wide range of factors, including but not limited to, the local economy and demographics, the market supply and demand of elderly housing services, the upside potential and the current physical conditions of the Disposal Assets, the Group decided to dispose of the Disposal Assets and reallocate the resources to the Group's other investments.

The Directors confirmed that the Agreement of the Purchase and Sale and the Disposal are conducted on normal commercial terms and will have no material adverse impact on the operations and financial position of the Group. The Directors are of the view that the terms of the Disposal (including the Consideration) are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE AGREEMENT OF PURCHASE AND SALE

Seller

The Seller is an indirect wholly-owned subsidiary of the Company. The Seller is a single purpose vehicle holding the Disposal Assets.

Buyer

The Buyer is a California Corporation. The Buyer is a senior housing owner/operator in the U.S.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Buyer and its ultimate beneficial owner(s) are third parties independent of the Company and of the connected person(s) of the Company.

GENERAL

Listing Rules Implications

As the applicable percentage ratios exceed 5% but are less than 25%, the transaction contemplated under the Agreement of Purchase and Sale constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Financial Impact of the Disposal

Upon completion of the Disposal, the Group is expected to record an unaudited loss on the Disposal before taxation of approximately US\$1.8 million (equivalent to approximately HK\$14.0 million). Such loss was estimated based on the Closing Purchase Price minus the book value of the Disposal Assets as at 30 September 2022 and the estimated transaction costs without taking into account the Earnout Payment and the Closing Adjustments, if any. The actual gain or loss as a result of the Disposal to be recorded by the Company may be different from the above estimated loss as the actual gain or loss can only be ascertained following the final calculation of the Earnout Payment and the Closing Adjustments. Therefore, such calculation is only an estimate provided for illustrative purposes and is subject to the final audit to be performed by the Company's auditors. The Directors do not anticipate that the Completion of the Disposal will have a significant effect on the business and performance of the Group.

Use of Proceeds from the Disposal

The Directors currently intend to use the proceeds from the Disposal for repayment of a bank loan of the Seller and as general working capital of the Company and its subsidiaries.

DEFINITIONS

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

“Agreement of Purchase and Sale” the agreement of purchase and sale dated as of 21 November 2022 entered into between the Seller and the Buyer regarding, inter alia, the sale and purchase of the Disposal Assets

“Board” the board of Directors

“Business Day(s)”	any day other than a Saturday, a Sunday, a national holiday or a legal holiday generally observed, and for which financial institutions are closed for business, in the State of Michigan
“Buyer”	Titan SenQuest Management, Inc., a California Corporation
“Closing”	the recording of the deed conveying title to the Property to be acquired by Buyer
“Closing Date”	on or before 30 days from the date the Buyer’s obligations under the Agreement of Purchase and Sale are satisfied or waived, which has to be on or before 45 days from the date of the Agreement of Purchase and Sale
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of the Closing Purchase Price and the Earnout Payment
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Disposal Assets by the Seller to the Buyer pursuant to the Agreement of Purchase and Sale
“Disposal Assets”	the Property, the Facility and the Assets
“GAAP”	generally accepted accounting principles adopted by the U.S. Securities and Exchange Commission
“Group”	the Company and its subsidiaries from time to time
“Holiday”	Holiday AL Management Sub LLC, a limited liability company incorporated in Delaware, U.S.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Seller”	MI4 Ashford, LLC, a limited liability company incorporated in Delaware, U.S., an indirect wholly-owned subsidiary of the 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
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“U.S.”	the United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“%”	per cent

For illustrative purposes, sums in US\$ in this announcement are translated to HK\$ at the rate of US\$1 = HK\$7.8. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 21 November 2022

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; Mr. Chow Vee Tsung, Oscar as Non-Executive Director.

* *For identification purpose only*