

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 ACQUISITION OF PROPERTY IN THE UNITED KINGDOM

The Board is pleased to announce that on 18 February 2022 (after trading hours of the Stock Exchange), the Purchaser entered into the Asset Sale Contract with the Vendor to acquire the Property at the Consideration of GBP45.9 million (equivalent to approximately HK\$486.54 million), excluding VAT and before adjustment.

The Consideration is expected to be financed as to 40% by the Group's internal resources and as to 60% through a 5-year term loan to be obtained from a bank by the Purchaser and secured by, amongst others, legal debenture from the Purchaser as well as a corporate guarantee to be provided by the Company in favour of the bank.

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

THE ACQUISITION

The Board is pleased to announce that on 18 February 2022 (after trading hours of the Stock Exchange), the Purchaser entered into the Asset Sale Contract with the Vendor to acquire the Property at the Consideration of GBP45.9 million (equivalent to approximately HK\$486.54 million), excluding VAT and before adjustment.

Details of the Acquisition are set out below:

Asset Sale Contract

Material terms of the Asset Sale Contract are set out below:

- Parties: (1) The Vendor, namely, BBC Pension Trust Limited; and
(2) The Purchaser.
- Subject matter: The Property which is subject to the occupational leases with the Tenants. For details, see the paragraph headed “Information of the Property” below.
- Consideration: GBP45.9 million (equivalent to approximately HK\$486.54 million), excluding VAT and before adjustment.
- Payment terms: (1) A deposit of GBP4.59 million (equivalent to approximately HK\$48.65 million) (“**Deposit**”) representing 10% of the Consideration has been paid to the Vendor’s conveyancer as stakeholder on the date of the Asset Sale Contract; and
(2) The balance of the Consideration, being GBP41.31 million (equivalent to approximately HK\$437.89 million and representing 90% of the Consideration), together with adjustment net-offs and applicable VAT, shall be paid by the Purchaser to the Vendor on the Completion Date.
- Adjustment to the Consideration: Pursuant to the Asset Sale Contract, the Vendor has agreed to pay or allow the Purchaser on Completion an allowance in respect of the aggregate rent incentive periods of certain existing occupational leases of the Property and the sixth floor of the Property from the Completion Date until such period ranging from approximately 2 months to 42 months thereafter. The Purchaser and the Vendor agreed that the amount of allowance will be approximately GBP0.7 million (equivalent to approximately HK\$7.42 million), and it will be deducted from the balance of the Consideration payable by the Purchaser on the Completion Date.

The Consideration of GBP45.9 million (equivalent to approximately HK\$486.54 million) plus adjustment net-offs and applicable VAT is to be satisfied in cash. 40% of the Consideration is to be satisfied by the Group's internal resources, and the remaining 60% of the Consideration will be satisfied by a 5-year term loan to be obtained from a bank by the Purchaser and secured by, amongst others, legal debenture from the Purchaser, including but not limited to fixed and floating charge over all assets of the Purchaser and assignment of rental income generated from occupational leases of the Property, as well as a corporate guarantee to be provided by the Company in favour of the bank ("**Mortgage Loan**").

The Purchaser has agreed in principle with a bank in the UK on the terms of the Mortgage Loan. In the event that the Mortgage Loan is yet to be finalised in time and made available for drawdown to the Purchaser upon Completion, the Group will finance the entire Consideration by its internal resources first at Completion and refinance 60% of the Consideration with the Mortgage Loan after Completion.

Stamp duty

All stamp duty in relation to the Acquisition shall be borne by the Purchaser.

Completion

Completion shall take place on the Completion Date.

If either party fails to complete on the Completion Date, then the party ready to complete may serve a notice to complete to the other party. The party receiving the notice to complete shall then have 10 business days (excluding the day on which such notice is given) to complete the Acquisition, failing which, the serving party may rescind the Asset Sale Contract and the Deposit, together with any accrued interest, will be forfeited by the Vendor (if such failure is made by the Purchaser) or returned to the Purchaser (if such failure is made by the Vendor).

Rescission

If either party fails to complete the Acquisition in accordance with the Asset Sale Contract, the other party shall be entitled to rescind the Asset Sale Contract and retain its other rights and remedies.

Upon exercise of the right of rescission, the Purchaser shall return any documents it received from the Vendor and, where applicable, cancel registration of the Asset Sale Contract.

Information of the Property

Details of the Property are set out below:

Location	30 King Street, London, UK
Net internal area	35,470 square feet
Property completion year	Built in 2009
More particulars	The Property consists of a Grade-A commercial building with basement vaults together with two separate long leasehold titles known as 29 and 33 King Street and 13 and 14 Lawrence Lane, London, UK and 31 and 33 King Street and 8 to 12 Lawrence Lane, London, UK, both of which have a residual term of approximately 137 years from the date of the Asset Sale Contract and a vault space situated under King Street, London, UK and adjacent to the commercial building. The last annual rent paid to the Superior Landlord under the Leasehold Leases was approximately GBP54,000 (equivalent to approximately HK\$0.6 million).
Tenants of the occupational leases	The Property is currently leased to Independent Third Party tenants.
Residual term of the occupational leases	The residual term of the occupational leases range from 1 to 9 years from the date of the Asset Sale Contract, with the final occupational lease expiring in 2031.
Gross annual rent of the occupational leases (based on the respective lease agreements and excluding any rent-free period set out therein)	An aggregate of GBP1.8 million (equivalent to approximately HK\$19.08 million).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the aggregate actual rental income from the Property for each of the 2 years ended 31 March 2020 and 2021 was approximately GBP1.6 million (equivalent to approximately HK\$16.96 million) and GBP0.8 million (equivalent to approximately HK\$8.48 million), respectively.

INFORMATION ON THE PARTIES

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

The Vendor is a company incorporated in England and Wales with limited liability and the trustee of the British Broadcasting Corporation Pension Fund, which is reportedly one of the biggest occupational pension schemes in the UK providing benefits for over 50,000 people.

The Purchaser's Agent is a company incorporated in England and Wales with limited liability and is specialised in the provision of specialist investment and asset management services to sophisticated real estate investors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser's Agent and its ultimate beneficial owners, as well as the Vendor, the British Broadcasting Corporation Pension Fund and its beneficiaries are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Asset Sale Contract and the transactions contemplated thereunder are in the ordinary and usual course of the Group's businesses. The Property is a commercial property located in the heart of the city of London in the UK. Other than the sixth floor which is currently vacant and being offered for lease, the Property is currently fully leased out. The Directors consider the Acquisition as a good opportunity for the Group to further expand and diversify its property investment business in the UK, and invest into an asset with stable income and strong tenants covenants.

The Consideration was agreed between the Vendor and the Purchaser's Agent via an open bidding process through arm's length negotiations. Based on a valuation report prepared by an independent valuer, the Property was valued at GBP45.9 million (equivalent to approximately HK\$486.54 million) exclusive of VAT as at 14 December 2021. The Directors, having taken into account, amongst others, the market value of the Property, available data comparable, expected rental income to be generated from the Property and various investment and finance costs for the Acquisition, consider the terms of the Acquisition (including the Consideration) to be fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratios in respect of the Acquisition are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under 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 Property by the Purchaser from the Vendor pursuant to the terms of the Asset Sale Contract
“Asset Sale Contract”	the asset sale contract for the residue of the leasehold interests in the Property dated 18 February 2022 and entered into by the Purchaser and the Vendor
“Board”	the board of Directors
“business day”	a day other than Saturday, Sunday or a day on which banks are authorised to close in London, UK for general banking business
“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”	the completion of the Acquisition in accordance with the terms of the Asset Sale Contract
“Completion Date”	18 March 2022 (UK time)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition
“Deposit”	has the meaning ascribed to it in the paragraph headed “The Acquisition – Asset Sale Contract”
“Director(s)”	the director(s) of the Company
“GBP”	British pound sterling, the lawful currency of the UK
“Group”	collectively, the Company and its subsidiaries from time to time
“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

“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Leasehold Leases”	the two separate long leases granted to the Vendor. For details of Leasehold Leases, see the paragraph headed “The Acquisition – Information of the Property – More particulars”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage Loan”	has the meaning ascribed to it in the paragraph headed “The Acquisition – Asset Sale Contract”
“Property”	the property as described in the paragraph headed “The Acquisition – Information of the Property – More particulars”
“Purchaser”	Chevalier (KS) Limited, a company incorporated in England and Wales and an indirect wholly-owned subsidiary of the Company
“Purchaser’s Agent”	Snapdragon Real Estate Investment Management Limited, a company incorporated in England and Wales with limited liability
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Superior Landlord”	the Vendor’s landlord pursuant to the Leasehold Leases
“Tenants”	the tenants of the occupational leases as described in the paragraph headed “The Acquisition – Information of the Property – Tenants of the occupational leases”
“UK”	the United Kingdom
“VAT”	value added tax or any equivalent tax chargeable in the UK
“Vendor”	BBC Pension Trust Limited, a company incorporated in England and Wales with limited liability

“%”

per cent

For illustrative purposes, sums in GBP in this announcement are translated to HK\$ at the rate of GBP1 = HK\$10.6. 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, 18 February 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*