
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution licensed to deal in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your units in Champion REIT, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Circular, 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 Circular.

ChampionREIT

冠君產業信託

Champion Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 2778)

Managed by

Eagle Asset Management
Eagle Asset Management (CP) Limited

CIRCULAR TO UNITHOLDERS IN RELATION TO (1) CONTINUING CONNECTED PARTY TRANSACTIONS; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Independent Financial Adviser to the
Independent Board Committee of the REIT Manager,
the Independent Unitholders and the Trustee

BALLAS
C A P I T A L
A subsidiary of Crosby

A letter to Unitholders is set out on pages 8 to 30 of this Circular.

A notice convening the extraordinary general meeting (“EGM”) to be held at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on 24 November, 2022 at 4:00 p.m. is set out on pages N1 to N3 of this Circular.

Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the registered office of the REIT Manager at Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.



TABLE OF CONTENTS

	<i>Page</i>
SPECIAL ARRANGEMENT FOR THE EGM	i
CORPORATE INFORMATION	1
DEFINITIONS	2
LETTER TO UNITHOLDERS	8
1. INTRODUCTION	8
2. CONTINUING CONNECTED PARTY TRANSACTIONS	9
3. RESTRICTIONS ON VOTING	26
4. RECOMMENDATIONS	27
5. EGM AND CLOSURE OF REGISTER OF UNITHOLDERS	30
APPENDIX I – LETTER FROM THE INDEPENDENT BOARD COMMITTEE	31
APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	33
APPENDIX III – GENERAL INFORMATION	64
NOTICE OF EXTRAORDINARY GENERAL MEETING	N1

SPECIAL ARRANGEMENT FOR THE EGM

Maintaining social distancing is key to control the spread of COVID-19 in Hong Kong. Champion REIT strongly encourages Unitholders to participate by voting by proxy in advance of the EGM:

All resolutions proposed at the EGM will be decided on a poll. Unitholders are encouraged to exercise their rights by appointing the Chairman of the EGM as their proxy to vote on the proposed resolutions at the EGM instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising rights of Unitholders.

Completion and return of the form of proxy will not preclude Unitholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.

Non-registered Unitholders whose Units are held through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.

Unitholders are strongly encouraged to cast their votes by submitting a proxy form appointing the Chairman of the EGM as their proxy.

To protect the attending Unitholders, staff and stakeholders from the risk of infection of COVID-19, Champion REIT will implement the following precautionary and control measures at the EGM against the pandemic:

- (i) Compulsory body temperature check;
- (ii) Compulsory wearing of surgical facial masks;
- (iii) Mandatory health declaration;
- (iv) Maintaining a safe distance between seats;
- (v) No provision of refreshment or beverages; and
- (vi) No distribution of coupons for subsequent consumption.

Should anyone seeking to attend the EGM decline to submit to these requirements or be found to be suffering from a fever (i.e. having a body temperature of over 37.5 degrees Celsius) or otherwise unwell, Champion REIT reserves the right to refuse such person's admission to the EGM.

Subject to the development of COVID-19, Champion REIT may change the EGM arrangements at short notice and may issue further announcement as appropriate. Unitholders should check Champion REIT's website (www.ChampionReit.com) for updates on the latest arrangement of the EGM.

Champion REIT believes that these measures are necessary and appropriate in light of the current pandemic. If any Unitholder has any question relating to the EGM, please contact the unit registrar of Champion REIT, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Online enquiry: https://www.computershare.com/hk/en/online_feedback).

CORPORATE INFORMATION

Champion REIT	Champion Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time
REIT Manager	Eagle Asset Management (CP) Limited Suite 3008, 30th Floor, Great Eagle Centre 23 Harbour Road Wanchai, Hong Kong
Directors of the REIT Manager	
<i>Non-executive Directors</i>	Dr Lo Ka Shui (<i>Chairman</i>) Ms Wong Mei Ling, Marina
<i>Executive Directors</i>	Ms Hau Shun, Christina (<i>Chief Executive Officer</i>) Mr Kwong Chi Kwong
<i>Independent Non-executive Directors</i>	Mr Cheng Wai Chee, Christopher Mr Ho Shut Kan Mr Ip Yuk Keung, Albert Mr Shek Lai Him, Abraham
Trustee	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Unit Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

DEFINITIONS

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

2008 Circular	the circular dated 16 February 2008 issued by Champion REIT to Unitholders
2016 Circular	the circular dated 25 November 2016 issued by Champion REIT to Unitholders
2019 Circular	the circular dated 28 November 2019 issued by Champion REIT to Unitholders
2019 Extended Waiver	has the meaning ascribed to it in the section headed “2. Continuing Connected Party Transactions — Background”
associates	has the meaning ascribed to it in the REIT Code and the Listing Rules
Audit Committee	audit committee of the Board
Auditors	auditors of Champion REIT
Board	the board of Directors
CAF Management Agreement	has the meaning ascribed to it in the 2008 Circular
Champion REIT	Champion Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time
Champion REIT Group	Champion REIT and its subsidiaries
close associates	has the meaning ascribed to it in the Listing Rules
connected person	has the meaning ascribed to it in the REIT Code and the Listing Rules
Continuing Connected Party Transactions	the Revenue Transactions and the Expense Transactions
controlling shareholder	has the meaning ascribed to it in the Listing Rules
COVID-19	novel coronavirus disease first found in 2019
DMCs	the deeds of mutual covenants in relation to properties held by Champion REIT Group

DEFINITIONS

DMC Agreements	all agreements between Champion REIT Group and Great Eagle Group for Estate and Building Management Transactions pursuant to relevant DMCs subsisting as at the date of the Expense Transactions Framework Agreement
DMC Estate Management Transactions	certain transactions under the DMC Agreements, forming part of the Estate and Building Management Transactions
Directors	the directors of the REIT Manager
Eagle Property Management (CP) Limited	an indirectly wholly-owned subsidiary of Great Eagle, in its capacity as property manager of Champion REIT
EGM	the extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice
EGM Notice	the notice included in this Circular in respect of the extraordinary general meeting of Unitholders to consider and, if thought fit, approve the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps
Estate and Building Management Transactions	estate and building management services such as cleaning, repair and maintenance services and renovation work and facilities management in respect of the properties held by Champion REIT Group
Expense Transactions	the Estate and Building Management Transactions and the Property Management Transactions
Expense Transactions Annual Caps	has the meaning ascribed to it in the section headed “2. Continuing Connected Party Transactions – (iii) Expense Transactions – Historical Transaction Amounts and Expense Transactions Annual Caps”
Expense Transactions Framework Agreement	the expense transactions framework agreement dated 7 November 2022 entered into between Great Eagle and REIT Manager (for and on behalf of Champion REIT) in respect of the Expense Transactions
Framework Agreements	the Revenue Transactions Framework Agreement and the Expense Transactions Framework Agreement
FY11	the financial year ended on 31 December 2011

DEFINITIONS

FY20	the financial year ended on 31 December 2020
FY21	the financial year ended on 31 December 2021
FY22	the financial year ending on 31 December 2022
FY23	the financial year ending on 31 December 2023
FY24	the financial year ending on 31 December 2024
FY25	the financial year ending on 31 December 2025
Great Eagle	Great Eagle Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 41)
Great Eagle Group	Great Eagle and its subsidiaries and associates (excluding members of Champion REIT Group)
HK\$	the lawful currency of Hong Kong
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
Independent Board Committee	has the meaning ascribed to it in the section headed "4. Recommendation — the Independent Board Committee"
Independent Financial Adviser	Ballas Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Independent Third Party(ies)	person(s) or entity(ies) who is/are not connected persons of Champion REIT
Independent Unitholders	Unitholders other than those who have a material interest in the relevant transactions, within the meaning of paragraph 8.7F of the REIT Code
INEDs	the independent non-executive Directors of the REIT Manager

DEFINITIONS

Langham Place	a commercial development erected on all that piece or parcel of ground registered in the Land Registry as Kowloon Inland Lot No.11099 and comprising, inter alia, an office tower, a shopping and commercial centre, a hotel and car-parking spaces
Langham Place Mall Estate Management Agreement	has the meaning ascribed to it in the 2008 Circular
Langham Place Office Tower	the office portion of Langham Place and being named as High Block under the Deed of Mutual Covenant and Management Agreement of Langham Place dated 27 June 2005
Latest Practicable Date	1 November 2022, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular
Listing Rules	the Rules Governing the Listing of Securities on Stock Exchange (modified as appropriate pursuant to paragraph 2.26 of the REIT Code)
New Annual Caps	the Revenue Transactions Annual Caps and the Expense Transactions Annual Caps
Ordinary Resolutions	Ordinary Resolution No. 1 and Ordinary Resolution No. 2
Ordinary Resolution No. 1	ordinary resolution no. 1 as set out in the EGM Notice
Ordinary Resolution No. 2	ordinary resolution no. 2 as set out in the EGM Notice
Potential PMA Transactions	at any time, new property management agreement(s) to be entered between Champion REIT Group and Great Eagle Group for the Property Management Transactions
Pre-existing Expense Transactions Agreements	all agreements between Champion REIT Group and Great Eagle Group for Expense Transactions entered into before and subsisting as at 1 January 2023, including but not limited to the CAF Management Agreement, the DMC Agreements, Langham Place Mall Estate Management Agreement and the Specified Property Management Agreement

DEFINITIONS

Pre-existing Revenue Transactions Agreements	all agreements between Champion REIT Group and Great Eagle Group for Revenue Transactions entered into before and subsisting as at 1 January 2023
Property Management Transactions	property management services, which include property management (such as coordinating tenants' fitting out requirements, maintenance services and supervising the performance of service providers and contractors), lease management services (such as administration of rental collection, lease renewals and negotiation of terms), and marketing services (such as provision of marketing co-ordination services). Property Management Transactions include the Specified PMA Transactions and the Potential PMA Transactions both of which are no longer categorized as a separate type of transactions for the purpose of annual caps due to the reason disclosed in "Historical Transaction Amounts and Expense Transactions Annual Caps"
Record Date	24 November 2022
REITs	the real estate investment trusts of which units are listed on the Stock Exchange
REIT Code	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified from time to time
REIT Manager	Eagle Asset Management (CP) Limited, as manager of Champion REIT
rental income	rent, license fees and leasing-related income i.e. promotion levy
Revenue Transactions	the provision of real estate space (for use, including without limitation to the generality of the foregoing, as office, commercial outlets, shared working, vehicle parking and storeroom) through rental and/or license arrangements which generate rental income and building management fees to Champion REIT Group
Revenue Transactions Annual Caps	has the meaning ascribed to it in the section headed "2. Continuing Connected Party Transactions — (ii) Revenue Transactions – Historical Transaction Amounts and Revenue Transactions Annual Caps"

DEFINITIONS

Revenue Transactions Framework Agreement	the revenue transactions framework agreement dated 7 November 2022 entered into between Great Eagle and REIT Manager (for and on behalf of Champion REIT) in respect of the Revenue Transactions
SFC	The Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Specified PMA Transactions	the transactions under the Specified Property Management Agreement
Specified Property Management Agreement	the property management agreement dated 26 April 2006 entered into between the REIT Manager and Eagle Property Management (CP) Limited
Stock Exchange	The Stock Exchange of Hong Kong Limited
Substantial Holder	has the meaning ascribed to it in paragraph 8.1 of the REIT Code
Three Garden Road	a commercial development erected on all that piece or parcel of ground registered in the Land Registry as Inland Lot No. 8888 and comprising, inter alia, two office towers, a podium, and car-parking spaces
Trust Deed	the trust deed constituting Champion REIT dated 26 April 2006, the first amending and restating deed dated 21 April 2021 and the eighth supplemental deed dated 24 May 2021 respectively, entered into between the Trustee and the REIT Manager
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as trustee of Champion REIT. All references to the Trustee in this Circular are, as the context may require, to the Trustee acting on behalf of Champion REIT and on the instruction of the REIT Manager
Unit	one undivided unit in Champion REIT
Unit Registrar	Computershare Hong Kong Investor Services Limited
Unitholder	any person registered as holding a Unit
%	per centum or percentage

LETTER TO UNITHOLDERS

ChampionREIT

冠君產業信託

Champion Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 2778)

Managed by

Eagle Asset Management

Eagle Asset Management (CP) Limited

Directors of the REIT Manager:

Non-executive Directors:

Dr Lo Ka Shui (*Chairman*)

Ms Wong Mei Ling, Marina

Executive Directors:

Ms Hau Shun, Christina (*Chief Executive Officer*)

Mr Kwong Chi Kwong

Independent Non-executive Directors:

Mr Cheng Wai Chee, Christopher

Mr Ho Shut Kan

Mr Ip Yuk Keung, Albert

Mr Shek Lai Him, Abraham

Registered Office of the REIT Manager:

Suite 3008, 30th Floor

Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

8 November 2022

To: Unitholders of Champion REIT

Dear Sir/Madam,

**CIRCULAR TO UNITHOLDERS IN RELATION TO
(1) CONTINUING CONNECTED PARTY TRANSACTIONS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING AND
CLOSURE OF REGISTER OF UNITHOLDERS**

1. INTRODUCTION

We refer to the announcement dated 7 November 2022 of Champion REIT in relation to the Continuing Connected Party Transactions. The purposes of this Circular are to: (a) provide you with information on the Continuing Connected Party Transactions and the New Annual Caps; (b) provide you with further information as is necessary to enable you to make an

LETTER TO UNITHOLDERS

informed decision on whether to vote for or against the Ordinary Resolutions to be proposed at the EGM relating to the Continuing Connected Party Transactions and the New Annual Caps; (c) set out the recommendation of the Independent Board Committee to the Independent Unitholders relating to the Continuing Connected Party Transactions and the New Annual Caps; (d) set out the recommendation of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee relating to the Continuing Connected Party Transactions and the New Annual Caps; and (e) serve the EGM Notice.

2. CONTINUING CONNECTED PARTY TRANSACTIONS

(i) Background

As disclosed in the 2008 Circular, the REIT Manager had applied for, and the SFC had on 28 February 2008, granted a waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of certain continuing connected party transactions. As disclosed in subsequent announcements and circulars, the waiver was subsequently modified and extended on 15 December 2010, 10 December 2013, 13 December 2016 and 18 December 2019 (“**2019 Extended Waiver**”).

On 4 December 2020, the REIT Code was revised to, inter alia, broadly align the requirements applicable to the connected party transactions (including continuing connected party transactions) of REITs with the requirements for companies listed on the Stock Exchange. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all the connected party transactions (including continuing connected party transactions) of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof, and unitholders’ approval, disclosure, reporting, annual review and other requirements. All pre-existing waivers shall continue to apply until expiry according to their terms or until otherwise modified or revoked.

Since the 2019 Extended Waiver is due to expire on 31 December 2022, the continuing connected party transactions of Champion REIT which are the subject of the 2019 Extended Waiver will, upon such expiry, be regulated with reference to Chapter 14A of the Listing Rules, in addition to Chapter 8 of the REIT Code.

The categories of continuing connected party transactions between Champion REIT Group and Great Eagle Group under the 2019 Extended Waiver are as follows:

- (a) tenancy and license agreements in respect of Champion REIT Group’s properties (see the revenue transactions described in page 111 of the 2008 Circular);

LETTER TO UNITHOLDERS

- (b) contracts with third-party contractors for estate management services such as cleaning, repair and maintenance services and renovation work in respect of Champion REIT Group's properties, and reimbursement payments to estate manager and common area and facilities manager of Langham Place Mall (see the estate management transactions described in page 111 of the 2008 Circular); and
- (c) potential property and/or lease management and marketing services to be provided under new property management agreements in respect of properties to be acquired by Champion REIT Group in the future (see the Potential PMA Transactions described in pages 8 and 38 of the 2016 Circular.

(ii) Revenue Transactions

Champion REIT Group has been undertaking Revenue Transactions in the ordinary and usual course of its business under the terms of the 2019 Extended Waiver. In anticipation of expiry of the 2019 Extended Waiver on 31 December 2022, and having regard to the regular, ordinary and ongoing nature of the Revenue Transactions, on 7 November 2022, the REIT Manager has entered into the Revenue Transactions Framework Agreement with Great Eagle, which sets out the principles on which the Revenue Transactions shall be entered into, renewed or extended during the period from 1 January 2023 to 31 December 2025. The obligations of the parties under the Revenue Transactions Framework Agreement are conditional upon the passing of Ordinary Resolution No. 1.

The principal terms of the Revenue Transactions Framework Agreement are as follows:-

Date:	7 November 2022
Parties:	(1) The REIT Manager (for and on behalf of Champion REIT) (2) Great Eagle
Term:	Three (3) years from 1 January 2023 up to 31 December 2025
Purpose and other terms:	To set out the principles on which the Revenue Transactions shall be entered into, renewed or extended during the terms of the Revenue Transactions Framework Agreement.

LETTER TO UNITHOLDERS

The REIT Manager (for and on behalf of Champion REIT) and Great Eagle shall procure that members of Champion REIT Group and Great Eagle Group which are parties to any Revenue Transactions (including renewal of Revenue Transactions) shall enter into separate written agreements for a term not exceeding three (3) years unless REIT Manager (on behalf of Champion REIT) has complied with Rule 14A.52 of the Listing Rules or a valid waiver under the Listing Rules applies, except for the Pre-existing Revenue Transactions Agreements, and on arm's length basis and normal commercial terms which are no less favourable to Champion REIT Group than those that may be offered by the relevant member of Champion REIT Group to Independent Third Parties. For the avoidance of doubt, if any Pre-existing Revenue Transactions Agreement is renewed on or after 1 January 2023, such renewal shall comply with Rule 14A.52 of the Listing Rules unless a valid waiver under the Listing Rules applies.

Pricing policy:

The rent or license fee chargeable for such transactions shall be based on the then prevailing market rates for properties of comparable size and with similar attributes within the same building (or, if not available, within the vicinity) or published/standard rates available to Independent Third Parties. The basis of any management or service fees shall not deviate from that of such fees chargeable to Independent Third Parties who are tenants or licenses of the same building or property.

The REIT Manager will arrange for independent valuations in respect of the Revenue Transactions, as described in great detail in "2. Continuing Connected Party Transactions – (vi) Review and Reporting – Internal Control System".

LETTER TO UNITHOLDERS

Historical Transaction Amounts and Revenue Transactions Annual Caps

The table below sets out, amongst other things, the amounts (including rental and management and service fees) received or receivable by members of Champion REIT Group from members of Great Eagle Group in respect of the Revenue Transactions for each of FY20 and FY21 and for FY22 that are recognized in the financial statements of the Champion REIT Group for the relevant period; and, for the purposes of the Revenue Transactions Framework Agreement and compliance with Chapter 14A of the Listing Rules, the maximum annual value of transactions (including rental and building management fees) between members of Champion REIT Group and members of Great Eagle Group in respect of the Revenue Transactions for each of FY23, FY24 and FY25 (i.e. the “**Revenue Transactions Annual Caps**”) that are to be recognized in the financial statements of the Champion REIT Group for the relevant period:

	For FY20 ⁽¹⁾ (HK\$'000)	For FY21 ⁽²⁾ (HK\$'000)	For FY22 (HK\$'000)		For FY23 (HK\$'000)	For FY24 (HK\$'000)	For FY25 (HK\$'000)
Rental income	84,900	74,400	50,000 ⁽³⁾		58,500	58,100	53,100
Building management fees	8,800	7,900	6,300 ⁽³⁾		8,700	9,500	9,200
Total							
Historical Annual caps ⁽⁴⁾	169,026	161,450	173,485	Revenue Transactions Annual Caps	67,200	67,600	62,300
Annual cap year-on-year increment	–	–4.5%	7.5%	Annual cap year-on-year increment	–61.3%	0.6%	–7.8%
Amounts recognized	93,700	82,300	56,300 ⁽³⁾				
Annual cap utilisation ⁽⁵⁾	55.5%	50.9%	32.5%				

Notes:

- (1) Based on the annual report of Champion REIT for FY20.
- (2) Based on the annual report of Champion REIT for FY21.
- (3) This annual amount is projected, based on the term of existing leases and licenses as at 31 August 2022. For the eight months ended 31 August 2022, the actual amount of rental income and building management fees recognized were approximately HK\$42,000,000 and HK\$5,100,000 respectively.
- (4) Aggregate of the annual caps of rental income and building management fees as stated in the 2019 Circular. The annual caps of rental income are HK\$151,943,000 (for FY20), HK\$144,117,000 (for FY21) and HK\$154,419,000 (for FY22). The annual caps of building management fees are HK\$17,083,000 (for FY20), HK\$17,333,000 (for FY21) and HK\$19,066,000 (for FY22).

LETTER TO UNITHOLDERS

- (5) *Utilisation for FY20 and FY21 are based on the actual historical amounts for FY20 and FY21 divided by the annual caps for FY20 and FY21, whilst the utilisation for FY22 is based on the projected annual amounts for FY22 divided by the annual cap for FY22.*

The Revenue Transactions Annual Caps for each financial year were previously subject to separate annual caps for rental income and building management fees as disclosed in the 2019 Circular and the table above. Given that rental income and building management fees often arise from a single underlying Revenue Transaction (for example, the lease or license of office premises would typically include an obligation to pay rent or license fee for the premises and building management fees payable in respect of those premises), the separate caps do not serve any meaningful purposes. Accordingly, the Revenue Transactions Annual Caps for FY23, FY24 and FY25 cover both rental income and building management fees.

The Revenue Transactions Annual Caps for FY23, FY24 and FY25 have been determined based on the following:

For rental income

- (a) Using as a base the actual amount of rental income receivable in accordance with the terms of the subsisting connected party leases for FY23, FY24 and FY25, on the assumption that: (i) if any such leases are due to expire within such period, such leases are assumed to be renewed upon expiry (except those leases which the parties do not expect to be renewed); and (ii) depending on when the relevant lease is due for expiry and assumed to be renewed, an annual rental growth rate of 10% (except for FY23 which assumed no growth) will be applied to determine the rental income payable under the renewed leases, arriving at the amounts of approximately HK\$24.8 million, HK\$24.4 million and HK\$19.4 million for FY23, FY24 and FY25 respectively.

The rents for Hong Kong's Grade A offices, which have generally been on a declining trend since 2020, will unlikely rebound in FY23 and thus it was assumed that there is no rental growth for FY23. The annual rental growth rate of 10% for FY24 and FY25 was determined based on the projection that rents for Hong Kong's Grade A offices could potentially rebound quite strongly in FY24 and FY25 and the historical annual rental growth rate of Hong Kong's Grade A offices.

- (b) Applying an increment of approximately HK\$27,000,000 to the amounts resulting from paragraph (a) above for each of FY23, FY24 and FY25, as a contingency buffer for new connected party leases to be entered into in respect of Champion REIT Group's existing portfolio.

The amount of the buffer assumes one additional floor of Three Garden Road and one additional floor of Langham Place Office Tower will be leased to Great Eagle Group during the relevant years at the prevailing market rent. Such assumption is supported by the fact that in the third quarter of 2022, a member of the Great Eagle Group had entered into a new lease with the Champion REIT Group for one additional floor in Langham Place Office Tower to cater for its business needs.

LETTER TO UNITHOLDERS

- (c) Applying a further increment of approximately HK\$6,700,000 to the relevant amounts resulting from paragraph (b) above, for each of FY23, FY24 and FY25, to take into account any increased rental income as a result of future acquisitions that Champion REIT Group may undertake.

This increment is based on an assumption that Champion REIT Group will acquire one or more properties in a single transaction from an Independent Third Party during FY23, FY24 and FY25 which has a purchase price equal to 5% of the gross asset value (adjusted for dividend payable) of Champion REIT and with gross rental income yield of approximately 5% per annum; and (ii) approximately 4% of the acquired property's gross rental income will be attributable to Great Eagle Group. Champion REIT has been and continues to proactively reviewing a number of potential acquisition opportunities. In 2021, Champion REIT has completed the acquisition of a minority stake in an office property in London. Recent market data indicates that there may be more acquisition opportunities on investment properties as more owners appear to be more willing to offer to sell.

The gross rental income yield of 5% is projected on the basis of the historical distribution per Unit of Champion REIT and the REIT Manager would typically consider acquiring properties that generate not less than 5% rental income yield. The assumption that 4% of the acquired property's gross rental income would be attributable to Great Eagle Group is by reference to the percentage of office space (in terms of gross rentable area) at Langham Place Office Tower and Three Garden Road that Great Eagle Group leased as at 31 August 2022.

For the avoidance of doubt, the above assumptions are solely for the purpose of calculating the proposed annual caps. There is no assurance that Champion REIT Group will acquire one or more properties during the term of the Revenue Transactions Framework Agreement, or that any properties to be acquired will have the abovementioned characteristics as to their size, development stage, gross rental income yield, rental profile or otherwise. Unitholders, as well as any prospective investors of Champion REIT, should be aware that the proposed annual caps are not indicative of Champion REIT's future acquisition strategy, and are therefore advised to exercise caution when dealing in the Units.

LETTER TO UNITHOLDERS

For building management fees

- (a) Using as a base the actual amount of building management fees receivable in accordance with the terms of the subsisting connected party leases for FY23, FY24 and FY25, on the assumption that: (i) if any such leases are due to expire within such period, such leases are assumed to be renewed upon expiry (except those leases which the parties do not expect to be renewed); and (ii) an annual building management fee growth rate of 10% will be applied to determine the building management fees for FY23, FY24 and FY25. The annual building management fee growth rate was determined after taking into account possible inflation as well as renovation and property enhancement works required by Champion REIT Group's existing portfolio that would result in the growth of building management fee income, arriving at the amounts of approximately HK\$3.9 million, HK\$4.3 million and HK\$3.4 million for FY23, FY24 and FY25 respectively.
- (b) Applying increments of approximately HK\$3,900,000 (for FY23), HK\$4,200,000 (for FY24) and HK\$4,700,000 (for FY25) to the amounts resulting from paragraph (a) above, as a contingency buffer for new connected party leases to be entered into in respect of Champion REIT Group's existing portfolio.

The amount of the buffer assumes one additional floor of Three Garden Road and one additional floor of Langham Place Office Tower will be leased to Great Eagle Group during the relevant years, assuming an annual building management fee growth rate of 10% will be applied to determine the building management fees in respect of such additional floors for FY23, FY24 and FY25.

- (c) Applying a further increment of approximately HK\$900,000 (for FY23), HK\$1,000,000 (for FY24) and HK\$1,100,000 (for FY25) to the amounts resulting from paragraph (b) above, to take into account any increased building management fee income as a result of future acquisitions that Champion REIT Group may undertake. Please refer to sub-paragraph (c) of "For rental income" above for details of the potential acquisition opportunities.

The above increments are based on an assumption that Champion REIT Group will acquire one or more properties in a single transaction from an Independent Third Party during FY23, FY24 and FY25 as described in the above sub-section headed "For rental income – (c)". The projected amount for FY23 is 13% (being the three-year average building management fee as a percentage of rental income from 2019 to 2021) of the rental income expected to be derived from the possible future acquisitions based on the 5% gross rental income yield assumption as described in the above sub-section headed "For rental income – (c)" above, with an annual growth rate of 10% for FY24 and FY25.

LETTER TO UNITHOLDERS

(iii) Expense Transactions

Champion REIT Group has been undertaking certain Expense Transactions in the ordinary and usual course of its business under the terms of the 2019 Extended Waiver: The Estate and Building Management Transactions are conducted mainly pursuant to contracts with contractors and suppliers for general tenancy works, the DMC Agreements, the Langham Place Mall Estate Management Agreement and the CAF Management Agreement. The Property Management Transactions are conducted mainly pursuant to the Specified Property Management Agreement. As disclosed in notes 4 and 5 to the table of “Historical Transaction Amounts and Expense Transactions Annual Caps”, transaction amounts of the DMC Agreements and the Specified Property Management Agreement were not covered by any of the annual caps in the 2019 Circular.

In anticipation of expiry of the 2019 Extended Waiver on 31 December 2022, and having regard to the regular, ordinary and ongoing nature of the Expense Transactions, on 7 November 2022, the REIT Manager has entered into the Expense Transactions Framework Agreement with Great Eagle, which sets out the principles on which the Expense Transactions shall be entered into, renewed or extended during the period from 1 January 2023 to 31 December 2025. The Expense Transactions Framework Agreement is conditional upon the passing of Ordinary Resolution No. 2.

The principal terms of the Expense Transactions Framework Agreement are as follows:-

Date:	7 November 2022
Parties:	(1) The REIT Manager (for and on behalf of Champion REIT) (2) Great Eagle
Term:	Three (3) years from 1 January 2023 up to 31 December 2025
Purpose and other terms:	To set out the principles on which the Expense Transactions shall be entered into, renewed or extended during the terms of the Expense Transactions Framework Agreement.

LETTER TO UNITHOLDERS

The REIT Manager (for and on behalf of Champion REIT) and Great Eagle shall procure that members of Champion REIT Group and Great Eagle Group which are parties to any Expense Transactions (including renewal of Expense Transactions) shall enter into separate written agreements for a term not exceeding three (3) years unless REIT Manager (on behalf of Champion REIT) has complied with Rule 14A.52 of the Listing Rules or a valid waiver under the Listing Rules applies, except for the Pre-existing Expense Transactions Agreements, and on arm's length basis and normal commercial terms which are no less favourable to Champion REIT Group than those that may be offered to or available from Independent Third Parties. For the avoidance of doubt, if any Pre-existing Expense Transactions Agreement is renewed on or after 1 January 2023, such renewal shall comply with Rule 14A.52 of the Listing Rules unless a valid waiver under the Listing Rules applies.

Pricing policy:

The fees chargeable for such transactions shall be based on the then prevailing market rates and on normal commercial terms for similar services provided by Independent Third Parties who are property managers and/or estate managers of properties of similar size and with similar attributes within the vicinity.

The REIT Manager will arrange for quotations or independent assessment in respect of the Expense Transactions, as described in great detail in "2. Continuing Connected Party Transactions – (vi) Review and Reporting – Internal Control System".

LETTER TO UNITHOLDERS

Historical Transaction Amounts and Expense Transactions Annual Caps

The table below sets out, amongst other things, the amounts paid or payable by members of Champion REIT Group to members of Great Eagle Group in respect of the Expense Transactions for each of FY20 and FY21 and for FY22 that are recognized in the financial statements of the Champion REIT Group for the relevant period; and, for the purposes of the Expense Transactions Framework Agreement and compliance with Chapter 14A of the Listing Rules, the maximum annual value of transactions between members of Champion REIT Group and members of Great Eagle Group in respect of the Expense Transactions for each of FY23, FY24 and FY25 (i.e. the “**Expense Transactions Annual Caps**”) that are to be recognized in the financial statements of the Champion REIT Group for the relevant period:

	For FY20 ⁽¹⁾ (HK\$'000)	For FY21 ⁽²⁾ (HK\$'000)	For FY22 (HK\$'000)		For FY23 (HK\$'000)	For FY24 (HK\$'000)	For FY25 (HK\$'000)
Estate and Building Management Transactions ⁽⁴⁾	335,200	422,100	361,800 ⁽³⁾		541,900	623,200	716,600
Property Management Transactions ⁽⁵⁾	105,900	104,500	93,600 ⁽³⁾		144,000	158,400	174,300
Total							
<i>Historical Annual cap</i> ⁽⁶⁾	274,046	315,153	362,425	<i>Expense Transactions Annual Caps</i>	685,900	781,600	890,900
<i>Annual cap year-on-year increment</i>	–	15.0%	15.0%	<i>Annual cap year-on-year increment</i>	89.3%	14.0%	14.0%
<i>Amounts recognized</i> ⁽⁷⁾	441,100	526,600	455,400 ⁽³⁾				
<i>Annual cap utilisation</i> ⁽⁸⁾	40.0%	63.7%	38.9%				

Notes:

- (1) Based on the annual report of Champion REIT for FY20.
- (2) Based on the annual report of Champion REIT for FY21.
- (3) This annual amount is projected based on actual transaction amounts of the Estate and Building Management Transactions and Property Management Transactions recognized for the eight months ended 31 August 2022 which were approximately HK\$245,900,000 and HK\$55,900,000 respectively.
- (4) The historical transaction amounts for FY20 and FY21 and the projected annual amount for FY22 include the DMC Estate Management Transactions, amounted to HK\$225,700,000, HK\$221,400,000 and HK\$220,700,000 respectively, which are not covered by any of the annual caps in the 2019 Circular.

LETTER TO UNITHOLDERS

The DMC Estate Management Transactions are conducted pursuant to deed of mutual covenants under which members of Great Eagle Group are appointed as DMC managers of properties within Champion REIT Group's portfolio. The duration of services provided by each of such DMC managers is not fixed and will continue unless the DMC manager resigns or is removed pursuant to terms of the relevant DMCs or the Buildings Management Ordinance (Chapter 344 of the laws of Hong Kong).

- (5) *The historical transaction amounts for FY20 and FY21 and the projected annual amount for FY22 include the Specified PMA Transactions, amounted to HK\$105,900,000, HK\$104,500,000 and HK\$93,600,000 respectively, which are not covered by any of the annual caps in the 2019 Circular.*
- (6) *Aggregate of the annual caps of estate management transactions and Potential PMA Transactions as stated in the 2019 Circular which excluded the DMC Estate Management Transactions and Specified PMA Transactions as they are not covered by any of the annual caps in the 2019 Circular. The annual caps of estate management transactions are HK\$226,167,000 (for FY20), HK\$260,093,000 (for FY21) and HK\$299,106,000 (for FY22). The annual caps of Potential PMA Transactions are HK\$47,879,000 (for FY20), HK\$55,060,000 (for FY21) and HK\$63,319,000 (for FY22).*
- (7) *The aggregate of the historical transaction amounts for FY20 and FY21 and the projected annual amount for FY22 including the transaction amounts for the DMC Estate Management Transactions and the Specified PMA Transactions.*
- (8) *When calculating the annual cap utilisation rates, the transaction amounts for the DMC Estate Management Transactions and the Specified PMA Transactions are excluded.*

The Expense Transactions Annual Caps for each financial year were previously subject to separate annual caps for Estate and Building Management Transactions (excluding DMC Estate Management Transactions) and Potential PMA Transactions as disclosed in the 2019 Circular and the table above. Given that there is no substantive difference between the general nature of services that are rendered under Estate and Building Management Transactions and Property Management Transaction or any new agreements of the same nature that would form part of the annual caps for Potential PMA Transactions under the 2019 Extended Waivers, apart from those correlated to the scale of the property in question (for example, a shopping arcade or office block compared to units within the shopping arcade or office block), separate caps do not serve any meaningful purposes. Accordingly, the Expense Transactions Annual Caps for FY23, FY24 and FY25 cover property management expenses for both Estate and Building Management Transactions and Property Management Transactions.

The Expense Transactions Annual Caps for FY23, FY24 and FY25 have been determined based on the following:

For Estate and Building Management Transactions

- (a) Using the projected amount of estate management transactions for FY22, being approximately HK\$361,800,000. This projected amount includes the amount of the DMC Estate Management Transactions which are not covered by the annual caps for FY22 as stated in the 2019 Circular.
- (b) Applying an increment of 25% to the amount resulting from paragraph (a) above, as a contingency buffer for FY23 only.

The use of a contingency buffer of 25% is to cater for (i) expenses for enhancement and/or repair works expected to be conducted for Three Garden Road and Langham Place Mall in FY23, (ii) unforeseeable market fluctuations, and (iii) possible expected upgrades, repair and renovation works of Three Garden Road, Langham Place Office Tower and Langham Place Mall to maintain required standards.

LETTER TO UNITHOLDERS

- (c) Applying an increment of 15% (for each of FY23, FY24 and FY25) to the amount resulting from paragraph (b) above, as assumed growth in the cost of estate management expenses over the years. The growth rate was determined after taking into account expected inflationary increases in the costs of estate and building management work and property management (such as staff costs and electricity fees).
- (d) Applying a further increment of approximately HK\$21,900,000 (for FY23), HK\$25,100,000 (for FY24) and HK\$28,900,000 (for FY25) to the amounts resulting from paragraph (c) above, to take into account the increase in building management fees as a result of future acquisitions that Champion REIT Group may undertake. Please refer to sub-paragraph (c) of “For rental income” above for details of the potential acquisition opportunities.

The above increments are based on an assumption that Champion REIT Group will acquire one or more properties in a single transaction from an Independent Third Party during FY23, FY24 and FY25 as described in the above sub-section headed “For rental income – (c)” and assumes a management fee of 13% (being the three-year average building management fee as a percentage of rental income from 2019 to 2021) of the rental income expected to be derived from the possible future acquisitions based on the 5% gross rental income yield assumption as described in the above sub-section headed “For rental income – (c)”, with an annual increment of 15% applied for FY24 and FY25 to cater for inflationary increases in building management and tenancy work.

For Property Management Transactions

- (a) Using the projected amount of property and lease management fees for FY22, being approximately HK\$82,000,000. This projected amount includes the amount of leasing service fee charged under the Specified Property Management Agreement which are not covered by the annual caps for FY22 as stated in the 2019 Circular.
- (b) Applying an increment of 10% (for FY24 and FY25) to the amount resulting from paragraph (a) above, as assumed growth in property management fees for FY24 and FY25 which mirrors the annual growth rate of rental income as described in the above sub-section headed “For rental income – (c)” given that the property management fees charged by Great Eagle Group are based on a certain percentage of Champion REIT Group’s gross rental income from the relevant properties.
- (c) Using the projected marketing service fees for FY22, being approximately HK\$11,600,000. This projected amount includes the amount of marketing service fees charged under the Specified Property Management Agreement which are not covered by the annual caps for FY22 as stated in the 2019 Circular.

LETTER TO UNITHOLDERS

- (d) Applying an increment of approximately of HK\$31,400,000 for FY23 to the amount resulting from paragraph (c) above, which was based on (i) the projected marketing service fees attributable to potential marketing services by the property manager for securing tenancy for the existing vacancies at Three Garden Road, Langham Place Office and Langham Place Mall; and (ii) the projected marketing service fees attributable to potential marketing services by the property manager for securing new or renewal of tenancy for existing occupied areas at Three Garden Road, Langham Place Office and Langham Place Mall which will expire in FY23. For FY24 and FY25, a 10% annual growth rate was applied for marketing service fees, being in line with the projected rental growth rate of 10% for FY24 and FY25 income as described in the above sub-section headed “For rental income – (c)”.
- (e) Applying a further increment of approximately HK\$19,000,000 (for FY23), HK\$21,000,000 (for FY24) and HK\$23,000,000 (for FY25) to the amounts resulting from paragraph (b) above. The increment for FY23 is determined with reference to (i) the rental income to be derived from the possible acquisitions based on the 5% gross rental income yield assumption as described in the above sub-section headed “For rental income – (c)”;
- (ii) an annual leasing service fee of 3% of such rental income; and (iii) an annual marketing service fee of 1 month base rent for securing tenancy. An increment of 10% is applied for FY24 and FY25, being in line with the expected rental growth rate of 10% for FY24 and FY25 as described in the above sub-section headed “For rental income – (c)”. Please refer to sub-paragraph (c) of “For rental income” above for details of the potential acquisition opportunities.

(iv) Reasons for and Benefits of the Continuing Connected Party Transactions

The REIT Manager is responsible under the Trust Deed and the REIT Code for ensuring the properties of Champion REIT Group are professionally managed and maintained under the overall management and supervision of the REIT Manager. Having considered the long term relationship between Champion REIT Group and Great Eagle Group and to ensure business efficiency and continuity, at the same time to accommodate the business needs of Champion REIT Group and leveraging on Great Eagle Group’s experience in property management, property leasing and property development and investment, the transactions under the Revenue Transactions Framework Agreement and the Expense Transactions Framework Agreement can help maintain Champion REIT Group’s competitiveness by generating stable income to and controlling operating costs of Champion REIT Group at the same time. Therefore, it would be commercially beneficial for Champion REIT Group to enter into the Framework Agreements.

LETTER TO UNITHOLDERS

(v) Regulatory Implications

As at the Latest Practicable Date, Great Eagle (being a Substantial Unitholder holding 4,075,619,354 Units which represents 68.23% of the total Units then in issue) is a connected person of Champion REIT pursuant to Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules. Accordingly, the Revenue Transactions and the Expense Transactions constitute continuing connected party transactions of Champion REIT.

As the highest applicable percentage ratio calculated in respect of the highest annual cap among the New Annual Caps exceeds 5%, the Framework Agreements are subject to the Independent Unitholders' approval, announcement, reporting and annual review requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

As Dr Lo Ka Shui, a non-executive Director, is the controlling shareholder, Chairman and Managing Director of Great Eagle, in order to avoid any actual or potential conflict of interest, Dr Lo had abstained from voting at the relevant Board resolutions approving the Framework Agreements and the New Annual Caps.

(vi) Review and Reporting

Pursuant to paragraph 8.7A of the REIT Code and rules 14A.55 to 14A.59, rule 14A.71 and rule 14A.72 of the Listing Rules, the Continuing Connected Party Transactions will be subject to the following review and reporting processes:

Annual Review by the Independent non-executive Directors

The INEDs shall review the Continuing Connected Party Transactions annually and confirm in Champion REIT's annual report for the relevant financial period that each of such transactions has been entered into (i) in the ordinary and usual course of business of Champion REIT Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement on terms that are fair and reasonable and in the interests of Champion REIT and Unitholders as a whole and in accordance with the REIT Manager's internal procedures governing such transaction.

Annual Review by the Auditors

The REIT Manager shall engage the Auditors to perform certain review procedures on the Continuing Connected Party Transactions annually. The Auditors shall report and provide a letter to the REIT Manager on the factual findings based on the work performed by them confirming whether anything has come to their attention that causes them to believe that any such transaction (i) has not been approved by the Board (including all of the INEDs); (ii) was not, in all material respects, in accordance with the pricing policies of Champion REIT; (iii) was not entered into, in all material respects, in accordance with its terms of agreement; or (iv) has exceeded the applicable annual cap.

LETTER TO UNITHOLDERS

The REIT Manager shall allow and procure the counterparty to the relevant Continuing Connected Party Transactions to allow, the Auditors sufficient access to their records for the purpose of reporting on the transactions.

The REIT Manager shall provide a copy of the Auditors' report to the SFC at least 10 business days before the bulk printing of the annual report of Champion REIT.

Notification to the SFC

The REIT Manager shall promptly notify the SFC and publish an announcement if the INEDs and/or the Auditors cannot confirm the matters set out above. The SFC may require the REIT Manager to re-comply with the announcement and Independent Unitholders' approval requirements and may impose additional conditions.

Annual Reports

A brief summary of the Continuing Connected Party Transactions containing the information specified in rules 14A.71 and 14A.72 of the Listing Rules shall be included in Champion REIT's annual reports.

Internal Control System

The REIT Manager has established an internal control system to ensure that connected party transactions (including continuing connected party transactions) between Champion REIT Group and its connected persons are monitored and that such transactions are undertaken on terms in compliance with the REIT Code and the Listing Rules. As required by the REIT Code and the Listing Rules, all connected party transactions (including continuing connected party transactions) must, among other things, be carried out at arm's length, on normal commercial terms and in the interests of Champion REIT and Unitholders as a whole.

The following internal control measures, among others, are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) To ensure each Revenue Transaction is entered into based on the prevailing market rate and on normal commercial terms, the REIT Manager, where applicable, shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of Champion REIT, or if the principal valuer is unavailable, an independent property consultancy firm which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, for each relevant tenancy agreement and licensing agreement before it is first entered into or if and when it is renewed, except where they are conducted on standard or published rates.

LETTER TO UNITHOLDERS

- (b) For Estate and Building Management Transactions, before entering into or renewing transactions for general tenancy works, three quotations (where practicable) shall be obtained from contractors or suppliers, including one from the relevant member of the Great Eagle Group and two from Independent Third Parties (where practicable), to conduct a comparison of the fees before the transaction is entered into, to ensure that such fees are at the then prevailing market rate.
- (c) For DMC Estate Management Transactions, the annual budget of DMC manager(s), which contains the projected annual expenses for the DMC manager(s) for different categories of building management expenses (such as cleaning, security and repair), is reviewed and agreed by Champion REIT. The internal auditor of the REIT Manager performs checking of the actual building management expenses incurred by the DMC manager(s) on a sampling and an ongoing basis, which includes checking whether expenses incurred by the DMC manager(s) were reasonable and in compliance with the relevant policies and procedures and statutory requirements. The internal auditor of the REIT Manager also reviews any budget variances to ensure that approval was sought accordingly with proper justifications.
- (d) For transactions contemplated under Langham Place Mall Estate Management Agreement and the CAF Management Agreement, the annual budget of the retail manager, which includes the projected annual expense of the retail manager for different categories of estate and building management services, is reviewed and agreed by Champion REIT. The internal auditor of the REIT Manager performs checking of the actual building management expenses incurred by the retail manager on a sampling and an ongoing basis, which includes checking whether expenses incurred by the retail manager were reasonable and in compliance with the relevant policies and procedures and statutory requirements. The internal auditor of the REIT Manager also reviews any budget variances to ensure that approval was sought accordingly with proper justifications.
- (e) For the Specified PMA Transactions, when the Specified Property Management Agreement is renewed, the REIT Manager shall arrange for an independent assessment from a property consultancy firm to be conducted on the property and lease management and marketing services fees charged for the property management services, to ensure that such fees are reasonable and at market level.

LETTER TO UNITHOLDERS

- (f) The REIT Manager maintains a register to record all connected party transactions (including continuing connected party transactions) which are entered into by members of Champion REIT Group and where applicable, the bases, including quotations from Independent Third Parties, expert opinions, and/or independent valuations obtained to support such bases, on which they are entered into. The REIT Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.
- (g) The register of connected party transactions (including continuing connected party transactions) is reviewed on a monthly basis to ensure the relevant annual caps are not exceeded and proper announcements (if required) and reporting in the financial statements will be made.
- (h) As a general rule, the REIT Manager will demonstrate to the Audit Committee that all connected party transactions (including continuing connected party transactions) are carried out at arm's length, on normal commercial terms and in the interests of Champion REIT and Unitholders as a whole, which may entail (where practicable) obtaining quotations from parties unrelated to the connected persons of Champion REIT, or obtaining one or more valuation letters from independent professional valuers. In particular, the Audit Committee is provided with a summary of the connected party transactions (including continuing connected party transactions) including their transaction amounts on a half-yearly basis for review. The review shall include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.
- (i) The REIT Manager will incorporate into its internal audit plan a review of all controls on all connected party transactions (including continuing connected party transactions) entered into by Champion REIT Group.

(vii) Information on the Parties

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the SFC under section 104 of the SFO, whose Units are listed on the Main Board of the Stock Exchange. The principal business activities of Champion REIT are to invest in and own income-producing office and retail properties with the objective of providing Unitholders with stable and sustainable distributions and to achieve long-term capital growth through proactive management of the properties in Champion REIT's portfolio and the selective acquisition of properties.

LETTER TO UNITHOLDERS

The REIT Manager is a wholly-owned subsidiary of Great Eagle. The REIT Manager has the general power of management over the assets of Champion REIT and the REIT Manager's main responsibility is to manage the assets of Champion REIT for the benefit of the Unitholders.

Great Eagle is a long-standing property company based in Hong Kong of which shares are listed on the Main Board of the Stock Exchange (stock code: 41). The principal activities of Great Eagle Group include investment holding, property development and investment, operations of hotel, restaurant and flexible workspace, asset management, project management, trading of building materials, securities investment, provision of property management, maintenance and property agency services, property leasing and asset management. Its hotel portfolio covers Asia, Australia, Europe, New Zealand and North America.

3. RESTRICTIONS ON VOTING

Paragraph 8.7F of the REIT Code provides that where a Unitholder has a material interest in a connected party transaction tabled for approval at a meeting of Unitholders, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting.

Further, under Paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business to be conducted at a general meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units at, or being counted in the quorum for, the general meeting.

Pursuant to the REIT Code and the Trust Deed, by virtue of Great Eagle Group's material interest or deemed material interest in the Continuing Connected Party Transactions, members of Great Eagle Group who are Unitholders shall abstain from voting on the Ordinary Resolutions. Great Eagle has agreed that it will procure its subsidiaries who are Unitholders to abstain from voting at the EGM on the Ordinary Resolutions.

Dr Lo Ka Shui, who is a beneficial owner of Units and controls entities (including Great Eagle Group) which are beneficial owners of Units, has also agreed to abstain from and procure his controlled entities to abstain from, voting at the EGM on the Ordinary Resolutions given that he is the controlling shareholder, Chairman and Managing Director of Great Eagle.

For the avoidance of doubt, this does not prevent any of the above person or entity from voting on the Ordinary Resolutions provided that such person or entity is appointed as a proxy of an Independent Unitholder which gives a specific voting direction.

So far as the REIT Manager is aware, as at the Latest Practicable Date, Dr Lo Ka Shui (through himself, Great Eagle Group and other controlled entities) was interested or deemed to be interested in 4,092,530,971 Units representing approximately 68.51% of the Units in issue, and Great Eagle Group was interested or deemed to be interested in 4,075,619,354 Units representing approximately 68.23% of the Units in issue.

LETTER TO UNITHOLDERS

As at the Latest Practicable Date, to the best of the REIT Manager's knowledge, information and belief, after having made reasonable enquiries, the REIT Manager takes the view that, save as disclosed above, no other Unitholder is required to abstain from voting at the EGM in respect of the Continuing Connected Party Transactions.

4. RECOMMENDATIONS

The Board

The Board (including all of the INEDs) considers that the Continuing Connected Party Transactions form an integral part of the normal operations of Champion REIT Group. In particular, Great Eagle Group has been an important delegate of the REIT Manager since the listing of Champion REIT in relation to the management of the properties within the portfolio of Champion REIT Group.

Having taken into account its duties under the REIT Code and Trust Deed, the Board (including all of the INEDs) considers that the terms of the Framework Agreements (including the New Annual Caps and the basis of arriving at the same) are, and the Continuing Connected Party Transactions will be:

- (a) in the ordinary and usual course of business of Champion REIT Group;
- (b) consistent with the investment objectives and strategy of Champion REIT and in compliance with the REIT Code and the Trust Deed; and
- (c) on normal commercial terms and arm's length terms which are fair and reasonable and in the interests of Champion REIT and Unitholders as a whole.

Accordingly, the Board (including all of the INEDs) recommends that the Independent Unitholders vote in favour of the Ordinary Resolutions.

The Independent Financial Adviser

Pursuant to rule 14A.44 of the Listing Rules, the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the Framework Agreements, the Continuing Connected Party Transactions and New Annual Caps.

LETTER TO UNITHOLDERS

The Independent Financial Adviser has confirmed that, having considered the principal factors and reasons set out in the Letter from the Independent Financial Adviser, it considers that:

- (a) the terms of each of the Revenue Transactions Framework Agreement and the Expense Transactions Framework Agreement, and the basis for the Revenue Transactions and the Expense Transactions (including the New Annual Caps and the basis of arriving at the same) are fair and reasonable and are in the interests of Champion REIT and the Unitholders as a whole; and
- (b) each of the Revenue Transactions and the Expense Transactions (i) is conducted in the ordinary and usual course of business of Champion REIT Group and consistent with the investment objectives and strategy of Champion REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole.

Your attention is drawn to the Letter from the Independent Financial Adviser set out in Appendix II to this Circular which contains the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion).

The Independent Board Committee

Pursuant to rule 14A.40 of the Listing Rules, an independent board committee (the "**Independent Board Committee**") (comprising all of the INEDs) has been established to advise the Independent Unitholders on the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps.

Having taken into account the opinion and recommendation of the Independent Financial Adviser, the Independent Board Committee considers that the terms of the Framework Agreements (including the New Annual Caps and the basis of arriving at the same) are, and the Continuing Connected Party Transactions will be:

- (a) in the ordinary and usual course of business of Champion REIT Group;
- (b) consistent with the investment objectives and strategy of Champion REIT and in compliance with the REIT Code and the Trust Deed; and
- (c) on normal commercial and arm's length terms which are fair and reasonable and in the interests of Champion REIT and Unitholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote in favour of the Ordinary Resolutions.

LETTER TO UNITHOLDERS

Your attention is drawn to the Letter from the Independent Board Committee set out in Appendix I to this Circular which contains the Independent Board Committee's opinion and recommendation.

Trustee

Based on and in sole reliance upon: (1) the opinion of the Board in this letter and the information and assurances provided by the REIT Manager; (2) the Letter from the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, the Trustee, having taken into account its duties under the REIT Code and the Trust Deed, is of the view that the terms of the Framework Agreements (including the New Annual Caps and the basis of arriving at the same) are, and the Continuing Connected Party Transactions will be:

- (a) in the ordinary and usual course of business of Champion REIT Group;
- (b) consistent with the investment objectives and strategy of Champion REIT and in compliance with the REIT Code and the Trust Deed; and
- (c) on normal commercial terms and arm's length terms which are fair and reasonable and in the interests of Champion REIT and Unitholders as a whole.

Independent Unitholders' approval is required for the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps applicable thereto.

The Trustee does not have any objection to the entry into of the Continuing Connected Party Transactions in accordance with the terms of the Framework Agreements (including the New Annual Caps applicable thereto).

The Trustee's view and confirmation above are not to be taken as a recommendation or representation by the Trustee of the merits of the Continuing Connected Party Transactions or of any statements or information made or disclosed in this Circular. The Trustee has not made any assessment of the impact or merits of the above matters other than for the purpose of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

Accordingly, the Trustee urges all Unitholders, including those intending to vote at the EGM who are in any doubt as to the voting recommendations herein and/or the merits or impact of the terms of the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps applicable thereto, to seek their own financial or other professional advice.

LETTER TO UNITHOLDERS

5. EGM AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Thursday, 24 November 2022 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the EGM Notice, which is set out on pages N1 to N3 of this Circular.

In order to determine which Unitholders will qualify to attend and vote at the EGM, the Register of Unitholders will be closed from Tuesday, 22 November 2022 to Thursday, 24 November 2022 (both days inclusive) during which period no transfers of Units will be effected. For those Unitholders who are not already on the register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar of Champion REIT, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 November 2022.

You can vote at the EGM if you are a Unitholder on Thursday, 24 November 2022 which is referred to in this Circular as the Record Date. You will find enclosed with this Circular the EGM Notice (see pages N1 to N3 of this Circular) and a form of proxy for use for the EGM.

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed on the form of proxy, and return it to the registered office of the REIT Manager at Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Yours faithfully,

By Order of the Board

Eagle Asset Management (CP) Limited
(as manager of Champion Real Estate Investment Trust)

Lo Ka Shui

Chairman

ChampionREIT

冠君產業信託

Champion Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 2778)

Managed by

Eagle Asset Management

Eagle Asset Management (CP) Limited

8 November 2022

To: Independent Unitholders of Champion REIT

Dear Sir or Madam,

CONTINUING CONNECTED PARTY TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you on the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps, details of which are set out in the Letter to Unitholders in the Circular from the REIT Manager to the Unitholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

The Independent Financial Adviser has been appointed by the REIT Manager to advise us, the Independent Unitholders and the Trustee on the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps. Details of the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion) are set out in the Letter from the Independent Financial Adviser, the text of which is contained in the Circular.

Having taken into account the opinion and recommendation of the Independent Financial Adviser, we concur with such opinion and recommendation and are satisfied that the terms of Framework Agreements (including the New Annual Caps and the basis of arriving at the same) are, and the Continuing Connected Party Transactions will be:

- (a) in the ordinary and usual course of business of Champion REIT Group;
- (b) consistent with the investment objectives and strategy of Champion REIT and in compliance with the REIT Code and the Trust Deed; and

APPENDIX I LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- (c) on normal commercial and arm's length terms which are fair and reasonable and in the interests of Champion REIT and Unitholders as a whole.

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolutions.

Yours faithfully,
Independent Board Committee
Eagle Asset Management (CP) Limited
(as manager of Champion Real Estate Investment Trust)

Mr Cheng Wai Chee,	Mr Ho Shut Kan	Mr Ip Yuk Keung,	Mr Shek Lai Him,
Christopher		Albert	Abraham
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>



5/F Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

8 November 2022

*To the Independent Board Committee,
the Independent Unitholders and the Trustee*

Dear Sir or Madam,

CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps, details of which are set out in the letter to the Unitholders (the “**Letter to the Unitholders**”) contained in the circular of Champion REIT (the “**Circular**”) to the Unitholders dated 8 November 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As disclosed in the 2008 Circular, the REIT Manager had applied for, and the SFC had on 28 February 2008, granted a waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of certain continuing connected party transactions. As disclosed in subsequent announcements and circulars, the waiver was subsequently modified and extended on 15 December 2010, 10 December 2013, 13 December 2016 and 18 December 2019.

On 4 December 2020, the REIT Code was revised to, inter alia, broadly align the requirements applicable to the connected party transactions (including continuing connected party transactions) of REITs with the requirements for companies listed on the Stock Exchange. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all the connected party transactions (including continuing connected party transactions) of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof, and unitholders’ approval, disclosure, reporting, annual review and other requirements. All pre-existing waivers shall continue to apply until expiry according to their terms or until otherwise modified or revoked.

Since the 2019 Extended Waiver is due to expire on 31 December 2022, the continuing connected party transactions of Champion REIT which are the subject of the 2019 Extended Waiver will, upon such expiry, be regulated with reference to Chapter 14A of the Listing Rules, in addition to Chapter 8 of the REIT Code.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Great Eagle (being a Substantial Unitholder holding 4,075,619,354 Units which represented 68.23% of the total Units then in issue) is a connected person of Champion REIT pursuant to Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules. Accordingly, the Revenue Transactions and the Expense Transactions constitute continuing connected party transactions of Champion REIT.

As the highest applicable percentage ratio calculated in respect of the highest annual cap among the New Annual Caps exceeds 5%, the Framework Agreements are subject to the Independent Unitholders' approval, announcement, reporting and annual review requirements under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Unitholders on the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps.

We, Ballas Capital Limited ("**Ballas Capital**"), have been appointed by the REIT Manager to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps, in particular as to:

- (a) whether the terms of each of the Revenue Transactions Framework Agreement and the Expense Transactions Framework Agreement, and the basis for the Revenue Transactions and the Expense Transactions contemplated thereunder (including the New Annual Caps and the basis of arriving at the same) are fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole;
- (b) whether each of the Revenue Transactions and the Expense Transactions (i) is conducted in the ordinary and usual course of business of Champion REIT Group and consistent with the investment objectives and strategy of Champion REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole; and
- (c) how the Independent Unitholders should vote in favour of resolutions in respect of the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps as set out in the EGM Notice.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts continued or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the REIT Manager (the “**Management**”). The REIT Manager and the Directors have declared in a responsibility statement set out in the Letter to the Unitholders that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and that there are no matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the REIT Manager. We have also been advised by the Directors and believe that no material facts have been omitted or withheld from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the businesses and affairs or the prospects of Champion REIT, the REIT Manager and the related subject of and parties to the Continuing Connected Party Transactions. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

INDEPENDENCE DECLARATION

We are not associated or connected with Champion REIT, the counterparties of the Continuing Connected Party Transactions or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps, we are not aware of any relationships or interests in Champion REIT or any other parties that could be reasonably regarded as hindrance to our independence to act as the independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have considered the following principal factors and reasons:

1. Background information of Champion REIT and the REIT Manager

Champion REIT is a collective investment scheme constituted as a unit trust and authorised by the SFC under section 104 of the SFO, whose Units are listed on the Main Board of the Stock Exchange. The principal business activities of Champion REIT are to invest in and own income-producing office and retail properties with the objective of providing Unitholders with stable and sustainable distributions and to achieve long-term capital growth through proactive management of the properties in Champion REIT's portfolio and the selective acquisition of properties. According to Champion REIT's annual reports for the three years ended 31 December 2019, 2020 and 2021 and interim report for the six months ended 30 June 2022, the total revenue of the Champion REIT Group for the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 amounted to approximately HK\$3,080.7 million, HK\$2,920.3 million, HK\$2,769.2 million and HK\$1,330.8 million, respectively.

The REIT Manager, namely Eagle Asset Management (CP) Limited, is a wholly-owned subsidiary of Great Eagle Holdings Limited, a long-standing property company based in Hong Kong listed on the Stock Exchange (stock code: 41). The REIT Manager has the general power of management over the assets of Champion REIT and the REIT Manager's main responsibility is to manage the assets of Champion REIT for the benefit of the Unitholders.

Champion REIT's existing properties portfolio consists mainly (i) Three Garden Road, a Grade-A commercial complex with two office buildings located in Central, Hong Kong, namely Champion Tower and ICBC Tower; (ii) certain floors of Langham Place Office Tower, a Grade-A office building located in Mongkok, Hong Kong; and (iii) Langham Place Mall, a shopping mall located in Mongkok, Hong Kong ("**Langham Place Mall**").

2. Reasons and benefits of the Continuing Connected Party Transactions**2.1. The Revenue Transactions Framework Agreement**

The REIT Manager's key objectives for Champion REIT are to provide Unitholders with stable and sustainable distribution per Unit and to achieve long-term growth in the net asset value per unit.

Members of the Great Eagle Group have been leasing properties from Champion REIT since the listing of Champion REIT in 2006. As part of Champion REIT's ordinary and usual course of business, leasing/licensing transactions have been, or will from time to time be entered into by Champion REIT with members of the Great Eagle Group. Under the 2019 Extended Waiver, certain portions of Three Garden Road, Langham Place Office Tower and Langham Place Mall have been occupied by members and associates of the Great Eagle Group.

In anticipation of the expiry of the 2019 Extended Waiver on 31 December 2022, given the fact that certain tenancies between members of the Great Eagle Group will go beyond the expiry of the 2019 Extended Waiver, the Revenue Transactions Framework Agreement will allow the Revenue Transactions to continue to contribute towards the occupancy rate of, and the property income generated by, the properties of Champion REIT. We have discussed with the REIT Manager and noted that the REIT Manager considers that the entering into of the Revenue Transactions Framework Agreement will provide flexibility to Champion REIT provided that the Revenue Transactions are carried out in the ordinary and usual course of business of Champion REIT and on normal commercial terms.

Having considered that:

- (i) the 2019 Extended Waiver will expire on 31 December 2022 and the purpose of the Revenue Transactions Framework Agreement is to set out the framework terms governing the terms of the Revenue Transactions for a three-year period from 1 January 2023 to 31 December 2025;
- (ii) the leasing of properties is the major source of income of Champion REIT and the Revenue Transactions will contribute towards the occupancy rate of, and the property income generated by, the properties of Champion REIT;
- (iii) the nature of the Revenue Transactions is the same as the existing continuing connected party transactions under the 2019 Extended Waiver; and
- (iv) the Revenue Transactions Framework Agreement will continue to provide flexibility to Champion REIT to transact with members of the Great Eagle Group in an efficient manner,

we are of the view that the Revenue Transactions as contemplated under the Revenue Transactions Framework Agreement (i) are conducted in the ordinary and usual course of business of Champion REIT Group and consistent with the investment objectives and strategy of Champion REIT; and (ii) are in the interests of Champion REIT and the Unitholders as a whole.

2.2. The Expense Transactions Framework Agreement

The REIT Manager is responsible under the Trust Deed and the REIT Code for ensuring the properties of Champion REIT are professionally managed. Since the initial public offering of Champion REIT in 2006, the property manager (the “**Property Manager**”) of Champion REIT, namely Eagle Property Management (CP) Limited, a wholly-owned subsidiary of Great Eagle, has been appointed to manage and maintain the properties of Champion REIT located in Hong Kong, subject to the overall management and supervision of the REIT Manager. From time to time, Champion REIT will enter into contracts with third party service providers (which may include members of the Great Eagle Group) in respect of estate management services such as cleaning, repair and maintenance services and renovation work and facilities management in respect of the properties held by Champion REIT. The REIT Manager expects that Champion REIT will continue to enter into such transactions with members of the Great Eagle Group to ensure business continuity and efficiency. Furthermore, pursuant to mall estate and ancillary arrangements, retail/estate managers (which may include members of the Great Eagle Group) are appointed to provide estate management services for shopping mall and ancillary areas. Pursuant to deeds of mutual covenants, managers under deeds of mutual covenants (which may include members of the Great Eagle Group) are appointed to provide maintenance and other ancillary services for the common areas and facilities of developments in which Champion REIT’s properties are located.

As set out in the Letter to the Unitholders, having considered the long term relationship between Champion REIT Group and Great Eagle Group and to ensure business efficiency and continuity, at the same time to accommodate the business needs of Champion REIT and leveraging on Great Eagle Group’s experience in property management, the Expense Transactions can help maintain the competitiveness of Champion REIT.

In anticipation of the expiry of the 2019 Extended Waiver on 31 December 2022, and having regard to the regular, ordinary and ongoing nature of the Expense Transactions, on 7 November 2022, the REIT Manager entered into the Expense Transactions Framework Agreement with Great Eagle, which shall set out the framework terms on which the Expense Transactions shall be entered into, renewed or extended during the period from 1 January 2023 to 31 December 2025.

We have discussed with the REIT Manager to understand that the REIT Manager considers that the entering into of the Expense Transactions Framework Agreement is beneficial and provides flexibility to Champion REIT provided that the Expense Transactions are carried out in the ordinary and usual course of business of Champion REIT on normal commercial terms and in accordance with the REIT Manager’s internal policies.

Having considered that:

- (i) the 2019 Extended Waiver will expire on 31 December 2022 and that the REIT Manager expects that Champion REIT will continue to enter into the Expense Transactions with members of the Great Eagle Group to ensure business continuity and efficiency;
- (ii) the purpose of the Expense Transactions Framework Agreement is to set out the framework terms governing the terms of the Expense Transactions for a three-year period from 1 January 2023 to 31 December 2025;
- (iii) the Expense Transactions contemplated under the Expense Transactions Framework Agreement will enable Champion REIT to continue to leverage on Great Eagle Group's experience in property management; and
- (iv) since the initial public offering of Champion REIT, members of the Great Eagle Group have been managing and maintaining Champion REIT's properties in Hong Kong. The Expense Transactions Framework Agreement will continue to allow Champion REIT Group to transact with members of the Great Eagle Group, which are trusted and long-term business partners of Champion REIT, in an efficient manner,

we are of the view that the Expense Transactions as contemplated under the Expense Transactions Framework Agreement (i) are conducted in the ordinary and usual course of business of Champion REIT Group and consistent with the investment objectives and strategy of Champion REIT; and (ii) are in the interests of Champion REIT and the Unitholders as a whole.

3. Analysis of the terms of the Revenue Transactions Framework Agreement

The principal terms of the Revenue Transactions Framework Agreement are as follows:

Date:	7 November 2022
Parties:	(1) The REIT Manager (for and behalf of Champion REIT) (2) Great Eagle
Term:	Three (3) years from 1 January 2023 up to 31 December 2025.
Purpose and other terms:	To set out the principles on which the Revenue Transactions shall be entered into, renewed or extended during the terms of the Revenue Transactions Framework Agreement.

The REIT Manager (for and on behalf of Champion REIT) and Great Eagle shall procure that members of Champion REIT Group and Great Eagle Group which are parties to any Revenue Transactions (including renewal of Revenue Transactions) shall enter into separate written agreements for a term not exceeding three (3) years unless REIT Manager (on behalf of Champion REIT) has complied with Rule 14A.52 of the Listing Rules or a valid waiver under the Listing Rules applies, except for the Pre-existing Revenue Transactions Agreements, and on arm's length basis and normal commercial terms which are no less favourable to Champion REIT Group than those that may be offered by the relevant member of Champion REIT Group to Independent Third Parties. For the avoidance of doubt, if any Pre-existing Revenue Transactions Agreement is renewed on or after 1 January 2023, such renewal shall comply with Rule 14A.52 of the Listing Rules unless a valid waiver under the Listing Rules applies.

Pricing policy:

The rent or license fee chargeable for such transactions shall be based on the then prevailing market rates for properties of comparable size and with similar attributes within the same building (or, if not available, within the vicinity) or published/standard rates available to Independent Third Parties. The basis of any management or service fees shall not deviate from that of such fees chargeable to Independent Third Parties who are tenants or licenses of the same building or property. The REIT Manager will arrange for independent valuations in respect of the Revenue Transactions, as described in the section headed "*7. Requirements and internal control regarding the Continuing Connected Party Transactions – Internal Control System*".

The Revenue Transactions relate to the provision of real estate space (for use, including without limitation to the generality of the foregoing, as office, commercial outlets, shared working, vehicle parking and storeroom) from members of the Champion REIT Group to members of the Great Eagle Group through rental and/or license arrangements which generate rental income and building management fees to Champion REIT Group. As stipulated in the pricing policy of the Revenue Transactions Framework Agreement, the rent or license fee chargeable for such transactions shall be based on the then prevailing market rates for properties of comparable size and with similar attributes within the same building or published/standard rates available to Independent Third Parties, and the basis of any management or service fees shall not deviate from that of such fees chargeable to Independent Third Parties.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the rental and terms under the Revenue Transactions Framework Agreement, we note that as an internal control measure to ensure that the transactions under the Revenue Transactions Framework Agreement are entered into based on the then prevailing market rate and on normal commercial terms, the REIT Manager shall arrange for an independent valuation to be conducted by the then prevailing valuer of Champion REIT, or if the principal valuer is unavailable, an independent property consultancy firm, where applicable, which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, for each relevant tenancy agreement and licensing agreement before it is first entered into or if and when it is renewed, except where they are conducted on standard or published rates (the “**Rental Policy**”).

We have obtained from the REIT Manager all of the existing tenancy agreements and licensing agreements for the Revenue Transactions entered into with members of the Great Eagle Group under the 2019 Extended Waiver and the independent valuation reports of each of the tenancy agreements with members of the Great Eagle Group. We have also obtained relevant tenancy agreements between Champion REIT and independent parties in respect of properties of comparable size and with similar attributes within the same building. Based on our review, we note that (i) the independent valuation reports as mentioned above had confirmed that the rental fees under the relevant lease were at prevailing market level and the other commercial terms of the lease such as tenure and deposits are on normal commercial terms; (ii) the key terms of the tenancy agreements entered into with members of the Great Eagle Group, such as rental and management fee, deposit and duration for properties of the same size with similar attributes within the same building are no less favourable to Champion REIT than those offered to Independent Third Parties. We note that the licensing agreements, which were on standard or published rates, were those in relation to carparks. The same parking rates are offered to all parties (including to members of the Great Eagle Group and Independent Third Parties) for the lease of carpark space. In respect of the independent valuation reports of the tenancy agreements, we understand that the independent valuations conducted were based on market approach, with reference to the prevailing market rent of comparable properties in the vicinity and assuming that the relevant property was available for lease in its existing state. Given that the properties of Champion REIT in Hong Kong consist of established Grade-A office buildings and shopping mall located in prime areas (namely Central and Mongkok) that are available for lease in existing state, which have relatively transparent and comparable rental transactions in the same areas, we consider that the valuation methodology and assumption adopted in the independent valuation reports are fair and reasonable.

We understand that the Rental Policy is part of Champion REIT’s internal control procedures and as confirmed by the REIT Manager, will be adhered to during the term of the Revenue Transactions Framework Agreement from 2023 to 2025. Having considered that the Revenue Transactions were and will continue to be carried out in accordance with the Rental Policy, whereby such policy will provide sufficient control measure on Champion REIT when leasing the properties of Champion REIT to members of the Great Eagle Group, and the rental terms offered to members of the Great Eagle Group are no less favourable to Champion REIT than those offered to Independent Third Parties, we are of the view that (i) the terms of the Revenue Transactions Framework Agreement are fair and reasonable as far as the Independent Unitholders are concerned; and (ii) the Revenue Transactions (a) will be conducted on terms which are and will be at arm’s length and on normal commercial terms or better; and (b) are fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole.

4. Analysis of the terms of the Expense Transactions Framework Agreement

The principal terms of the Expense Transactions Framework Agreement are as follows:

Date:	7 November 2022
Parties:	(1) The REIT Manager (for and behalf of Champion REIT) (2) Great Eagle
Term:	Three (3) years from 1 January 2023 up to 31 December 2025.
Purpose and other terms:	To set out the principles on which the Expense Transactions shall be entered into, renewed or extended during the terms of the Expense Transactions Framework Agreement.

The REIT Manager (for and on behalf of Champion REIT) and Great Eagle shall procure that members of Champion REIT Group and Great Eagle Group which are parties to any Expense Transactions (including renewal of Expense Transactions) shall enter into separate written agreements for a term not exceeding three (3) years unless REIT Manager (on behalf of Champion REIT) has complied with Rule 14A.52 of the Listing Rules or a valid waiver under the Listing Rules applies, except for the Pre-existing Expense Transactions Agreements, and on arm's length basis and normal commercial terms which are no less favourable to Champion REIT Group than those that may be offered to or available from Independent Third Parties. For the avoidance of doubt, if any Pre-existing Expense Transactions Agreement is renewed on or after 1 January 2023, such renewal shall comply with Rule 14A.52 of the Listing Rules unless a valid waiver under the Listing Rules applies.

Pricing policy:	The fees chargeable for such transactions shall be based on the then prevailing market rates and on normal commercial terms for similar services provided by Independent Third Parties who are property managers and/or estate managers of properties of similar size and with similar attributes within the vicinity. The REIT Manager will arrange for quotations or independent assessment in respect of the Expense Transactions, as described in the section headed " <i>7. Requirements and internal control regarding the Continuing Connected Party Transactions – Internal Control System</i> ".
-----------------	---

As set out in the Letter to the Unitholders, the Expense Transactions include (i) Estate and Building Management Transactions, which comprise estate and building management services such as cleaning, repair and maintenance services and renovation work and facilities management in respect of the properties held by Champion REIT Group; and (ii) Property Management Transactions, which comprise property management services, including property management, lease management and marketing services provided by members of the Great Eagle Group.

Estate and Building Management Transactions

We understand from the REIT Manager that the Estate and Building Management Transactions largely comprise (i) general tenancy works; (ii) transactions under deed of mutual covenants; and (iii) transactions under the Langham Place Mall Estate Management Agreement and the CAF Management Agreement as described below.

(i) *General tenancy works*

We understand from Management that from time to time, Champion REIT will enter into various contracts with third party suppliers for general tenancy works (which include cleaning, repair and maintenance services) in respect of the properties held by Champion REIT. Such general tenancy works are typically carried out after a unit is vacated before a new tenant moves in.

As part of the REIT Manager's internal control procedures, before entering into or renewing transactions for general tenancy works, three quotations (where practicable) shall be obtained from contractors or suppliers, including one from the relevant member of the Great Eagle Group and two from Independent Third Parties (where practicable), to conduct a comparison of the fees before the transaction is entered into, to ensure that such fees are at the then prevailing market rate.

We have obtained and reviewed sample transaction documents of eight sets of samples (randomly selected) from the REIT Manager for general tenancy works, and note that three quotations, including two from Independent Third Parties and one from members of the Great Eagle Group were obtained and compared, and if the relevant member of the Great Eagle Group was engaged to conduct the relevant service, to ensure that the price quotation from the relevant member of the Great Eagle Group is in line with those offered by independent providers and on prevailing market rates. Furthermore, based on the above sample transaction documents, we note that the applicable terms, including nature of the scope of services and general terms and conditions offered by members of the Great Eagle Group were generally in line with the terms offered by Independent Third Party suppliers. As the quotations from Independent Third Party suppliers represent commercial terms of the transactions, negotiated at arm's length between parties, the REIT Manager is of the view and we concur that the aforesaid internal control procedures could ensure the terms of the general tenancy works are at markets rates and at terms no less favorable to Champion REIT than terms available from Independent Third Parties. The purpose of our review of samples is to be satisfied that there is market reference available to determine the pricing terms offered by members of the Great Eagle Group being fair and reasonable, and hence the internal control procedure of the REIT Manager can be implemented. As the above-mentioned samples of price quotations related to repair and maintenance works (being a core category of general tenancy works) and were recent samples within the year of 2022, we consider that such samples are fair and relevant, and we are satisfied that there is market reference available to determine the pricing terms offered by members of the Great Eagle Group for general tenancy works being fair and reasonable. Based on our review of the sample transaction documents that indicate that there is market reference available and taking into account that the REIT Manager will implement its internal control procedures before entering or renewing transactions for general tenancy works to ensure that the fees for such works are at the prevailing market rate, we are of the view that the terms of the transactions for general tenancy works are fair and reasonable.

(ii) *Transactions under deeds of mutual covenants*

We understand from the REIT Manager that Three Garden Road, Langham Place Office Tower and the entire development of Langham Place are bound by their respective deeds of mutual covenants, with members of the Great Eagle Group being the managers (the “**DMC Manager(s)**”) of the respective deeds of mutual covenants. The duties of the DMC Manager(s) include managing and maintaining the building, which include providing building management services such as cleaning, security, repair and maintenance and other ancillary services.

We understand from Management that management fees payable to the DMC Manager(s) are generally based on the DMC Manager(s)’ duties on the proportion as the number of management shares allocated to the portion/part of the property bears to the total management shares allocated to the entire development erected on the lot(s) of land with reference to the management expenses. Deeds of mutual covenants bind the DMC Manager(s) and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deeds of mutual covenants, and all the owners of a development and their successors-in-title, are bound by, and have the benefit of, the same terms of the deed(s) of mutual covenant(s).

In respect of the management fees payable by Champion REIT to the DMC Manager(s), we understand from Management that the management fee payable to the DMC Manager(s) is based on the agreed annual budget of the costs and expenses in managing the building. If the actual costs incurred by the DMC Manager (a) are more than the budget (i.e. deficit), for example major improvement works may require additional funding, the REIT Manager reimburses the DMC Manager(s) (typically in the form of cash call by the DMC Manager(s)) subject to the level of funds maintained and accumulated in the building fund pool; or (b) are less than the budget (i.e. surplus), such difference will be carried forward and accumulated in the building fund pool for carrying out building management works. Therefore, in essence, the management fee payment by Champion REIT to the DMC Manager(s) is based on actual cost. As part of the REIT Manager’s internal control procedures, the annual budget, which contains the projected annual expenses of the DMC Manager(s) for different categories of building management expenses (such as cleaning, security and repair), is reviewed and agreed by Champion REIT. We understand from Management that in reviewing the annual budget, the REIT Manager would review the relevant service contracts of the relevant services in formulating the budget. Apart from reviewing the annual budget, the internal auditor of the REIT Manager performs checking of the actual building management expenses incurred by the DMC Manager(s) on a sampling and an ongoing basis, which includes checking whether expenses incurred by the DMC Manager(s) were reasonable and in compliance with the relevant policies and procedures and statutory requirements. The internal auditor of the REIT Manager also reviews any budget variances to ensure that approval was sought accordingly with proper justifications.

Furthermore, we have obtained and reviewed the deeds of mutual covenant of Champion REIT Group’s properties relating to Three Garden Road, Langham Place Office Tower and the entire development of Langham Place. In light of the fact that the deeds of mutual covenant bind the DMC Manager(s) and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deeds of mutual covenant, and all the owners of a development and their successors-in-title (including the Champion REIT Group and any other independent third parties), are bound by, and have the benefit of, the terms of the deeds of mutual covenant, we consider that it is fair and reasonable and commercially justifiable for the Champion REIT Group to be bound by the deeds of mutual covenant, and that the terms of these deeds of mutual covenants are at arm’s length and on normal commercial terms.

Taking into account the above internal control procedures of Champion REIT in respect of the transactions under the deeds of mutual covenants and, in essence, the management fee payment by Champion REIT to the DMC Manager(s) is based on actual cost, the REIT Manager is of the view and we concur that the terms of the estate and building management transactions under the deeds of mutual covenants are fair and reasonable.

(iii) Transactions under the Langham Place Mall Estate Management Agreement and the CAF Management Agreement

The (a) Langham Place Mall; and (b) certain footbridges, footpaths and pedestrian ways of Langham Place and the common areas and facilities serving both the Langham Place Mall and Langham Place Office Tower, have been managed by members of the Great Eagle Group as retail/estate manager (the “**Retail Manager**”) pursuant to the Langham Place Mall Estate Management Agreement and the CAF Management Agreement (as defined in the 2008 Circular of Champion REIT in relation to certain acquisition and connected party transactions). Members of the Great Eagle Group have been providing estate and building management services in managing the Langham Place Mall and other areas related to Langham Place mentioned above.

Pursuant to the Langham Place Mall Estate Management Agreement and the CAF Management Agreement (as defined in the 2008 Circular), Champion REIT would make reimbursement payments to members of the Great Eagle Group for all costs and out of pocket expenses incurred by the Retail Manager in the course of performing the building management functions. Such costs include cleaning and security guard services, repair and maintenance services as well as other building management services. In this respect, payments made to members of the Great Eagle Group are reimbursement payments made on an actual cost basis, based on annual budget agreed between the Retail Manager and Champion REIT. As part of the REIT Manager’s internal control procedures, such annual budget, which includes the projected annual expense of the Retail Manager for different categories of estate and building management services, is reviewed and agreed by Champion REIT. The annual budget is initially formulated by the Retail Manager in accordance with the expected building management expenses to be incurred for each category of expense (such as repair and maintenance and cleaning expenses), which are projected by the Retail Manager taking into account factors including the prevailing condition of the property, expected improvement works and maintenance requirements. In projecting the building management expenses under the annual budget, the Retail Manager takes into consideration factors including (i) the expected manpower required to perform the building management functions; (ii) the committed contract amounts as stipulated under relevant service contracts, for services such as escalator and lift maintenance; (iii) the expected expenses to be incurred for carrying out scheduled and possible repair and maintenance and improvement works with reference to price quotations; and (iv) the historical expenses (such as for utilities expenses) incurred in carrying out the relevant building management functions. During the review of the annual budget by the REIT Manager, the REIT Manager checks and assesses the budget of each category of expense and reviews relevant service contracts for the services included in

the annual budget. We have obtained the annual budget for the year of 2022 and the discussion correspondence between the REIT Manager and the Retail Manager in relation to the annual budget, which we note that the REIT Manager had internally reviewed the budget, conducted meetings with the Retail Manager to discuss the budget and made enquiries to the Retail Manager (which included obtaining budget documents from the Retail Manager and proposing amendments to the budget), before agreeing to the final annual budget. Apart from reviewing the annual budget, the internal auditor of the REIT Manager performs checking of the actual building management expenses incurred by the Retail Manager on a sampling and an ongoing basis, which includes checking whether expenses incurred by the Retail Manager were reasonable and in compliance with the relevant policies and procedures and statutory requirements. The internal auditor of the REIT Manager also reviews any budget variances to ensure that approval was sought accordingly with proper justifications. We have obtained the internal audit report of the REIT Manager and discussed with the internal auditor of the REIT Manager, noting that the internal auditor performed the above-mentioned checking of expenses as part of its review of budgetary control. The internal auditor's audit procedures included conducting walkthrough tests and compliance and substantive tests.

Taking into account our independent work done (as detailed above) and the above internal control procedures of Champion REIT in respect of the transactions under the Langham Place Mall Estate Management Agreement and the CAF Management Agreement and payments made to members of the Great Eagle Group are reimbursement payments made on an actual cost basis, the REIT Manager is of the view and we concur that the terms of the estate and building management transactions under the Langham Place Mall Estate Management Agreement and the CAF Management Agreement are fair and reasonable.

Property Management Transactions

We understand from the REIT Manager that the Property Management Transactions provided by the Property Manager relate to (a) property management services, which include co-ordinating tenants' fitting out requirements, maintenance services, supervising the performance of service providers and contractors etc.; (b) lease management services, which include administration of rental collection, lease renewals and negotiation of terms; and (c) marketing services, which include the provision of marketing and marketing co-ordination services.

Under the Specified Property Management Agreement, for property and lease management services, the Property Manager is entitled to a fee of 3% per annum of the gross property revenue. For marketing services, the fee is calculated on the following basis: (i) one month's base rent for securing a tenancy of three years or more; (ii) one-half month's base rent for securing a tenancy of less than three years; (iii) one-half month's base rent for securing a renewal of tenancy (irrespective of duration); and (iv) 10% of licence fee for securing a licence less than twelve months. We understand from the REIT Manager that if and when the Specified Property Management Agreement is renewed, the REIT Manager shall arrange for an independent assessment from a property consultancy firm to be conducted on the property and lease management and marketing services fees charged for the property management services, to ensure that such fees are reasonable and at market level.

In compliance with the aforesaid internal procedures, the REIT Manager had obtained an independent assessment from a property consultancy firm when the Specified Property Management Agreement was renewed in 2021, which confirmed that the property management fee of 3% per annum of the gross property revenue and the marketing services fee were reasonable and at market levels. The independent assessment conducted was based on market approach, with reference to the prevailing property and lease management fee and marketing services fee charged by comparable companies for similar services. Given that the nature of property management services is not uncommon and there are available comparable transactions on the market for similar services, we consider that the adoption of market approach as the basis for the independent assessment of the property lease management and marketing services fees is fair and reasonable. According to the REIT Manager, the Specified Property Management Agreement is expected to be further extended upon expiry and an independent assessment will be conducted on the property and lease management fee and marketing services fee according to the internal control procedures. Furthermore, we have reviewed the Specified Property Management Agreement and noted that the service fees are consistent with those mentioned above, i.e. 3% of gross property revenue for property and lease management services and around one-month base rent as commission for marketing services. On a best-effort basis, we have also reviewed the latest published annual reports and circulars of real estate investment trusts listed in Hong Kong that were published since November 2021 regarding the key terms of comparable property management services (i.e. services relating to both (a) property and lease management; and (b) marketing). Based on our review, we note that three real estate investment trusts listed in Hong Kong (namely (i) Fortune Real Estate Investment Trust (stock code: 778); (ii) Prosperity Real Estate Investment Trust (stock code: 808); (iii) Sunlight Real Estate Investment Trust (stock code: 435)) disclosed the terms of comparable property management services (that included both property and lease management and marketing services of similar nature to those provided by the Property Manager, such as co-ordinating tenants fitting out requirements, administration of rental collection and lease renewals and marketing services), and noted that their key terms, including property management fees and marketing service fees, were around (a) 3% of gross property revenue for property and lease management services; and (b) one-month base rent as commission for marketing services, being comparable to those offered by the Property Manager to the Champion REIT Group.

Based on the above, we are of the view that (i) the terms of the Expense Transactions Framework Agreement are fair and reasonable so far as the Independent Unitholders are concerned; and (ii) the Expense Transactions (a) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (b) are fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole.

5. Historical transaction amounts and new annual caps in respect of the Revenue Transactions

The historical aggregate transaction amounts received or receivable by members of the Champion REIT Group from members of the Great Eagle Group in respect of the Revenue Transactions for each of FY20, FY21 and FY22, as well as the maximum aggregate annual amount in respect of the Revenue Transactions to be received by members of the Champion REIT Group from members of the Great Eagle Group for each of FY23, FY24 and FY25 are as follows:

	Historical Transactions			New Annual Caps		
	FY20	FY21	FY22	FY23	FY24	FY25
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental income	84,900	74,400	50,000	58,500	58,100	53,100
Building management fees	8,800	7,900	6,300	8,700	9,500	9,200
Total	93,700	82,300	56,300	67,200	67,600	62,300
				(Note 1)	(Note 1)	(Note 1)
Historical annual caps	169,026	161,450	173,485			
Utilisation (Note 2)	55.5%	50.9%	32.5%			

Note 1: Represents the Revenue Transactions Annual Caps, which cover both rental income and building management fees. For the avoidance of doubt, there is no separate annual cap for each of rental income and building management fees (as elaborated in the Letter to the Unitholders).

Note 2: Utilisation for FY20 and FY21 are based on the actual historical amounts for FY20 and FY21 divided by the annual caps for FY20 and FY21, whilst the utilisation for FY22 is based on the projected annual amount for FY22 based on the terms of existing leases and licenses as at 31 August 2022 divided by the annual cap for FY22.

For rental income

As set out in the “Letter to the Unitholders”, the New Annual Caps in respect of the rental income to be received by the Champion REIT Group (the “**Rental Income Caps**”) for FY23, FY24 and FY25 are determined based on the following:

- (a) Using as a base the actual amount of rental income receivable in accordance with the terms of the subsisting connected party leases for FY23, FY24 and FY25, on the assumption that: (i) if any such leases are due to expire within such period, such leases are assumed to be renewed upon expiry (except those leases which the parties do not expect to be renewed); and (ii) depending on when the relevant lease is due for expiry and assumed to be renewed, an annual rental growth rate of 10% (except for FY23 which assumed no growth) will be applied to determine the rental income payable under the renewed leases, arriving at the amounts of approximately HK\$24.8 million, HK\$24.4 million and HK\$19.4 million for FY23, FY24 and FY25 respectively (the “**Rental Base**”).
- (b) Applying an increment of approximately HK\$27.0 million to the amounts resulting from paragraph (a) above for each of FY23, FY24 and FY25, as a contingency buffer for new connected party leases to be entered into in respect of Champion REIT Group’s existing portfolio (the “**Rental Contingency Buffer**”).

- (c) Applying a further increment of approximately HK\$6.7 million to the relevant amounts resulting from paragraph (b) above, for each of FY23, FY24 and FY25, to take into account any increased rental income as a result of future acquisitions that Champion REIT Group may undertake (the “**Possible Acquisition New Rental**”).

The Rental Income Caps of approximately HK\$58.5 million, HK\$58.1 million and HK\$53.1 million contribute approximately 87.1%, 85.9% and 85.2% of the total Revenue Transactions Annual Caps for FY23, FY24 and FY25, respectively. To assess the fairness and reasonableness of the Rental Income Caps, we have discussed with Management regarding the principal factors that Champion REIT has taken into account in deriving the Rental Income Caps.

Rental Base

We have obtained and reviewed a calculation schedule (the “**Calculation Schedule**”) prepared by the Management in relation to the New Annual Caps for the three years ending 31 December 2025. From our review of the Calculation Schedule, we note that the Rental Base represents approximately 42.4%, 42.0% and 36.5% of the Rental Income Caps for FY23, FY24 and FY25, respectively, and is mainly attributable to rental income from existing leases (including leases expected to be renewed) of Three Garden Road and Langham Place Office Tower. In assessing the annual rental growth rate of 10% for 2024 and 2025 that is applied to the leases that are expected to be renewed during the three years ending 31 December 2025 (i.e. a rental growth rate of 10% is applied to 2024 and 2025, respectively, whilst no rental growth is expected for 2023), we understand from Management that the 10% growth rate applied for the years of 2024 and 2025 is based on the Management’s projection that the rents for Hong Kong’s Grade A office spaces, which have generally been on a declining trend since 2020, will unlikely rebound in the near term (i.e. in 2023) taking into account the uncertain overall recovery path in view of geopolitical tensions, ongoing cross-border controls and quarantine requirements, but could potentially rebound quite strongly in 2024 and 2025 when there is a clearer path to recovery, which is expected to support office and leasing activities. In determining the growth rate of 10%, we understand that Management has taken into account the Hong Kong Grade A office rental index (as illustrated in the table below), in particular the average change in Grade A office rents from 2010 to 2012 of approximately 12%.

Hong Kong Grade A Office Rental Index

Year	% change												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
All districts	-15%	6%	18%	11%	7%	4%	5%	3%	5%	5%	3%	-7%	-5%
Core districts:													
Central & Sheung Wan	-19%	5%	27%	9%	-2%	1%	4%	5%	7%	7%	6%	-13%	-9%
Wanchai & Causeway Bay	-13%	3%	19%	12%	6%	1%	4%	4%	6%	4%	4%	-9%	-9%
Tsim Sha Tsui	-16%	7%	17%	11%	9%	4%	7%	1%	3%	5%	2%	-9%	-7%

Source: Hong Kong Rating and Valuation Department

The rental change for Grade A offices in the period of 2010 to 2012 was particularly taken into account by the REIT Manager as such years were considered the years of recovery following the subprime financial crisis coming to an end in 2009 when rents substantially decreased. The rents of Grade A offices rebounded strongly in the following three years of 2010 to 2012 at an average increase of approximately 12%. The REIT Manager considers that the current rental situation for Grade A offices in Hong Kong, which has decreased since 2020 (as illustrated in the table above) is similar to the situation in 2009 when office rentals materially decreased, and projects that rental recovery in around 2024 and 2025 (projected at an annual rental growth of 10% in this case) may be similar to the rental rebound of Grade A offices in 2010 to 2012. Taking into account the above, the REIT Manager considers and we concur that it is fair and reasonable to apply the annual rental growth rate of 10% (for 2024 and 2025) for a potential rental rebound situation for leases that are expected to be renewed during the three years ending 31 December 2025.

Rental Contingency Buffer

In respect of the Rental Contingency Buffer, an increment of approximately HK\$27.0 million is added to the Rental Base amount for each of FY23, FY24 and FY25, as a contingency buffer for new connected party leases to be entered into in respect of Champion REIT Group's existing portfolio. The amount of the buffer assumes one additional floor of Three Garden Road of 16,679 sq. ft and one additional floor of Langham Place Office Tower of 17,398 sq. ft will be leased to Great Eagle Group during the relevant years.

We understand that the rent per square feet used by Champion REIT in the projection of the Rental Contingency Buffer (i.e. for one additional floor of Three Garden Road and one additional floor of Langham Place Office Tower) is the same as the rent per square feet under the latest leases signed with the relevant members of the Great Eagle Group for Three Garden Road and Langham Place Office Tower. During the three years ending 31 December 2022, the Great Eagle Group has continued to lease spaces at Three Garden Road and Langham Place Office Tower to cater for their business needs. Apart from continuing to lease spaces under existing leases, in the third quarter of 2022, a member of the Great Eagle Group had entered into a new lease with the Champion REIT Group for one additional floor in Langham Place Office Tower to cater for its business needs. Consequently, taking into account that the Great Eagle Group had additional leasing need in 2022, we consider it is reasonable to assume the Great Eagle Group will require additional office space to cater for their potential business needs (which the Rental Contingency Buffer only caters for one additional floor of Three Garden Road and one additional floor of Langham Place Office Tower in the event the Great Eagle Group has additional leasing needs). As the projected rental income from the potential leases are based on prevailing market rent, we consider that the basis in determining the Rental Contingency Buffer is fair and reasonable.

Possible Acquisition New Rental

In respect of the Possible Acquisition New Rental, a further increment of approximately HK\$6.7 million is added to the Rental Income Caps for each of FY23, FY24 and FY25, to take into account any increased rental income as a result of future acquisitions that Champion REIT Group may undertake.

Apart from proactively managing existing property portfolio, Champion REIT's corporate objective is to make selective acquisition of new income producing commercial properties that will enhance distribution to Unitholders. Investment criteria used in the evaluation of acquisition opportunities include (i) yield accretion: properties to be acquired should either have strong existing rental income or the potential for higher rental income; (ii) potential for asset growth; (iii) tenant characteristics; as well as (iv) location and accessibility. Champion REIT has a history of making acquisitions. In early 2007, Champion REIT acquired from Great Eagle three floors of Three Garden Road with total gross area of 52,655 sq. ft for HK\$994.6 million. In February 2008, it acquired from Great Eagle the retail, car parks and office portions of Langham Place for approximately HK\$12,500 million. In May 2013, Champion REIT acquired additional office spaces at Three Garden Road that it did not already own from The Financial Secretary Incorporated for a consideration of approximately HK\$2,155 million. In April 2021, Champion REIT acquired an equity interest in a joint venture that holds a property at 66 Shoe Lane, London. As set out in the Letter to the Unitholders, Champion REIT continues to proactively review potential acquisition opportunities with recent market data indicating that there may be more acquisition opportunities on investment properties as more owners appear to be more willing to offer to sell. We have obtained and reviewed the recent market data, noting that investors remain active in exploring acquisition opportunities and heightening market condition triggered more retailers to dispose their properties.

The above increment amount of approximately HK\$6.7 million was calculated based on the assumptions that (i) Champion REIT would acquire during the three years ending 31 December 2025 one or more properties in a single transaction from an Independent Third Party which has a purchase price equal to 5% of the gross asset value (adjusted for dividend payable) of Champion REIT and with gross rental income yield of approximately 5% per annum; and (ii) approximately 4% of the acquired property's gross rental income will be attributable to members of the Great Eagle Group.

In respect of the projected gross rental income yield of 5% of the potential property(ies), we understand from Management that given that the historical distribution per Unit of Champion REIT is around 5%, the REIT Manager would typically consider acquiring properties that generate not less than 5% rental income yield for yield accretion. We note from the interim results announcement of Champion REIT for the six months ended 30 June 2022 that the distribution per Unit for the six months ended 30 June 2022 was HK\$0.1064, which represented an annualised distribution yield of approximately 6.1% based on the closing price of HK\$3.49 as at 30 June 2022. Based on Champion REIT's 2021 annual report, the distribution yield per Unit for the year ended 31 December 2021 was approximately 5.7%. In view of the above, we are of the view that the 5% gross rental income yield assumption adopted by Champion REIT for new property acquisition, if made, is fair and reasonable. The assumption of 4% of the acquired property's gross rental income would be attributable to members of the Great Eagle Group is on the basis

that the Great Eagle Group leased around 4% of the total office spaces (in terms of gross rentable area) at Langham Place Office Tower and Three Garden Road in aggregate as at 31 August 2022. As such, we are of the view that assumption (ii) mentioned in the above paragraph is fair and reasonable.

Taking into consideration the above factors considered for (i) the expectation of market rent upon renewal of existing leases with members of the Great Eagle Group following their respective expiries; (ii) contingency buffer to cater for possible additional office spaces to be leased to members of the Great Eagle Group at market rates, with such additional floor spaces estimated based on their potential business needs; (iii) additional rental derived from members of the Great Eagle Group resulting from new properties possibly acquired going forward, which Champion REIT continues to proactively review potential acquisition opportunities; and (iv) current arrangement where leasing agreement entered into with members of the Great Eagle Group have to be conducted under an independent valuation for each of such relevant tenancy agreement, we consider the basis for determining the Rental Income Caps for the three years ending 31 December 2025 are fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole.

For building management fees

As set out in the “Letter to the Unitholders”, the New Annual Caps in respect of the building management fee to be received by the Champion REIT Group (the “**Management Fee Income Caps**”) for FY23, FY24 and FY25 are determined based on the following:

- (a) Using as a base the actual amount of building management fees receivable in accordance with the terms of the subsisting connected party leases for FY23, FY24 and FY25, on the assumption that: (i) if any such leases are due to expire within such period, such leases are assumed to be renewed upon expiry (except those leases which the parties do not expect to be renewed); and (ii) an annual building management fee growth rate of 10% will be applied to determine the building management fees for FY23, FY24 and FY25, arriving at the amounts of approximately HK\$3.9 million, HK\$4.3 million and HK\$3.4 million for FY23, FY24 and FY25 respectively (the “**Management Fee Income Base**”).
- (b) Applying increments of approximately HK\$3.9 million (for FY23), HK\$4.2 million (for FY24) and HK\$4.7 million (for FY25) to the amounts resulting from paragraph (a) above, as a contingency buffer for new connected party leases to be entered into in respect of Champion REIT Group’s existing portfolio (the “**Management Fee Income Contingency Buffer**”).
- (c) Applying a further increment of approximately HK\$0.9 million (for FY23), HK\$1.0 million (for FY24) and HK\$1.1 million (for FY25) to the amounts resulting from paragraph (b) above, to take into account any increased building management fee income as a result of future acquisitions that Champion REIT Group may undertake (the “**Possible Acquisition New Management Fee Income**”).

The Management Fee Income Caps of approximately HK\$8.7 million, HK\$9.5 million and HK\$9.2 million represent approximately 12.9%, 14.1% and 14.8% of the total Revenue Transactions Annual Caps for FY23, FY24 and FY25, respectively. To assess the fairness and reasonableness of the Management Fee Income Caps, we have discussed with Management regarding the principal factors that Champion REIT has taken into account in deriving the Management Fee Income Caps.

Management Fee Income Base

Based on our review of the Calculation Schedule in relation to the New Annual Caps for the three years ending 31 December 2025, we note that the Management Fee Income Base that forms part of the Management Fee Income Caps is mainly attributable to building management fee income from existing leases (including leases expected to be renewed) of Three Garden Road and Langham Place Office Tower. In assessing the annual growth rate in building management fee of 10% that is applied to building management fees for each of 2023, 2024 and 2025, we understand from the REIT Manager that the projected management fee growth rate of 10% mainly takes into account possible inflation as well as renovation and property enhancement works required by Champion REIT Group's existing portfolio, resulting in the growth of management fee income.

As the current projected annual building management fee growth rate of 10% is estimated taking into account inflationary pressures as well as additional renovation and alteration works which may be required to maintain Grade-A property standards (which according to the tenancy agreements of Champion REIT Group, monthly management charges are typically subject to increase at any time during the continuance of the lease), we are of the view that assumption on an annual management fee growth rate of 10% for the period from 2023 to 2025 is fair and reasonable.

Management Fee Income Contingency Buffer

In respect of the Management Fee Income Contingency Buffer, increments of approximately HK\$3.9 million (for FY23), HK\$4.2 million (for FY24) and HK\$4.7 million (for FY25) are added to the Management Fee Income Base for FY23, FY24 and FY25, as a contingency buffer for new connected party leases to be entered into in respect of Champion REIT Group's existing portfolio. Same as the Rental Contingency Buffer, the amount of the buffer assumes one additional floor of Three Garden Road of 16,679 sq. ft and one additional floor of Langham Place Office Tower of 17,398 sq. ft will be leased to Great Eagle Group during the relevant years, and assumes an annual building management fee growth rate of 10% in respect of such additional floors for 2023 to 2025.

We note that the Management Fee Income Contingency Buffer for each of FY23, FY24 and FY25 is calculated based on the same building management fee rates under the latest leases signed with the relevant members of the Great Eagle Group for Three Garden Road and Langham Place Office Tower, adjusted by an annual building management fee growth rate of 10% for such additional floors for FY23, FY24 and FY25. As the projected management fee income from the potential leases are based on prevailing building management fee rates, we consider that the basis in determining the Management Fee Income Contingency Buffer is fair and reasonable.

Possible Acquisition New Management Fee Income

In respect of the Possible Acquisition New Management Fee Income, further increments of approximately HK\$0.9 million (for FY23), HK\$1.0 million (for FY24) and HK\$1.1 million (for FY25) are added to the Management Fee Income Caps for each of FY23, FY24 and FY25, to take into account any increased building management fee income as a result of future acquisitions that Champion REIT Group may undertake.

The above increments are calculated based on assumption that Champion REIT Group will acquire additional properties during the three years ending 31 December 2025 as described in sub-section headed "*Rental income - Possible Acquisition New Rental*" above (which Champion REIT continues to proactively review potential acquisition opportunities with recent market data indicating that there may be more acquisition opportunities on investment properties as more owners appear to be more willing to offer to sell). The projected amount for 2023 shall be 13% (which represents the three-year average building management fee as a percentage of rental income from 2019 to 2021) of the rental income expected to be derived from the possible future acquisitions based on the 5% gross rental income yield assumption as described in the sub-section headed "*Rental income - Possible Acquisition New Rental*" above, with an annual growth rate of 10% for 2024 and 2025.

Taking into consideration the above factors considered for (i) building management fee growth rate, to cater for inflation and potential renovation and alteration works needed for the properties to maintain Grade A standards; (ii) buffer to cope with possible additional office spaces to be leased to members of the Great Eagle Group; and (iii) additional contingent management fee income to be derived from members of the Great Eagle Group for properties potentially acquired, we consider the basis for determining the Management Fee Income Caps is fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Historical transaction amounts and new annual caps in respect of the Expense Transactions

The historical aggregate transaction amounts paid or payable by members of the Champion REIT Group to members of the Great Eagle Group in respect of the Expense Transactions for each of FY20, FY21 and FY22, as well as the maximum aggregate annual amount in respect of the Expense Transactions to be paid by members of the Champion REIT Group to members of the Great Eagle Group for each of FY23, FY24 and FY25 are as follows:

	Historical Transactions			New Annual Caps		
	FY20	FY21	FY22	FY23	FY24	FY25
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Estate and Building Management Transactions	335,200	422,100	361,800	541,900	623,200	716,600
Property Management Transactions	105,900	104,500	93,600	144,000	158,400	174,300
Total	441,100	526,600	455,400	685,900	781,600	890,900
	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 4)</i>	<i>(Note 4)</i>	<i>(Note 4)</i>
Historical annual caps <i>(Note 3)</i>	274,046	315,153	362,425			
Utilisation <i>(Note 2)</i>	40.0%	63.7%	38.9%			

Note 1: The historical transaction amounts for FY20, FY21 and FY22 (which represents the projected annual amount for FY22 based on the actual transaction amounts of the Estate and Building Management Transactions and the Property Management Transactions for the eight months ended 31 August 2022) include the DMC Estate Management Transactions and the Specified PMA Transactions, which are not covered by any of the annual caps in the 2019 Circular.

Note 2: When calculating the annual cap utilisation rates, the transaction amounts for the DMC Estate Management Transactions and the Specified PMA Transactions are excluded.

Note 3: Aggregate of the annual caps of estate management transactions and Potential PMA Transactions as stated in the 2019 Circular, which excluded the DMC Estate Management Transactions and Specified PMA Transactions as they are not covered by any of the annual caps in the 2019 Circular.

Note 4: Represents the Expense Transactions Annual Caps, which cover both Estate and Building Management Transactions and Property Management Transactions. For the avoidance of doubt, there is no separate annual cap for each of Estate and Building Management Transactions and Property Management Transactions (as elaborated in the Letter to the Unitholders).

We note that the New Annual Caps (i) relating to the Estate and Building Management Transactions (the “**Estate and Building Management Service Caps**”) amount to approximately HK\$541.9 million, HK\$623.2 million and HK\$716.6 million, which represents approximately 79.0%, 79.7% and 80.4% of the total Expense Transactions Annual Caps for FY23, FY24 and FY25, respectively; (ii) relating to Property Management Transactions (the “**Property Management Service Caps**”) amount to approximately HK\$144.0 million, HK\$158.4 million and HK\$174.3 million, which represents approximately 21.0%, 20.3% and 19.6% of the total Expense Transactions Annual Caps for FY23, FY24 and FY25, respectively.

Estate and Building Management Service Caps

The proposed Estate and Building Management Service Caps is based on:

- (a) Using the projected amount of estate and building management transactions for the year ending 31 December 2022, being approximately HK\$361.8 million, and applying an increment of 25% to such amount as a contingency buffer (the “**25% Expense Contingency Buffer**”);
- (b) Applying an increment of 15% (the “**15% Annual Increment**”) to the amount resulting from (a) above, as assumed growth in cost of estate and building management expenses; and
- (c) Applying an increment of approximately HK\$21.9 million (for FY23), HK\$25.1 million (for FY24) and HK\$28.9 million (for FY25) to the amount resulting from (b) above, to take into account the increase in estate and building management fees as a result of future acquisitions that Champion REIT Group may undertake (the “**Possible Acquisition Estate/Building Management Expense**”).

The proposed Estate and Building Management Service Caps of approximately HK\$623.2 million and HK\$716.6 million for FY24 and FY25, respectively, have been determined by applying the 15% Annual Increment from previous year amount.

To assess the fairness and reasonableness of the proposed Estate and Building Management Service Caps, we have discussed with the Management regarding the principal factors that Champion REIT has taken into account in deriving the same.

(i) 25% Expense Contingency Buffer

Based on our review of the Calculation Schedule, we note that Management has applied an increment of 25% as a contingency buffer for FY23 to the projected amount of estate and building management transactions in 2022. We have discussed with Management and understand that the 25% contingency buffer for 2023 caters for expenses for key enhancement works expected to be conducted for Three Garden Road in 2023. We have reviewed the schedule of key enhancement works expected to be performed in 2023 for Three Garden Road, which mainly include (i) lift modification works; (ii) touchless access and turnstiles modernization for lifts; and (iii) toilet renovation. Apart from Three Garden Road, we understand from Management that the 25% Expense Contingency Buffer also caters for possible key enhancement and repair works for the Langham Place Mall in 2023, the details of such works being determined according to existing ongoing feasibility study, which would potentially result in increase in estate and building management expenses attributable to Langham Place Mall.

In addition to the expected key enhancement works, we understand from Management that the 25% Expense Contingency Buffer also caters for (a) unforeseeable market fluctuations; and (b) possible expected upgrades, repair and renovation works of Three Garden Road, Langham Place Office Tower and Langham Place Mall to maintain required standards. Taking into account the above, we consider that the 25% Expense Contingency Buffer adopted for increase in 2023 cap is fair and reasonable.

(ii) Annual 15% Increment

We understand from Management that the Annual 15% Increment that is applied as the growth rate for 2023, 2024 and 2025, is based on the expected inflationary increases in the costs of estate and building management work. In determining the Annual 15% Increment, we understand that Management has mainly taken into account the expected inflationary increases in key cost components of property management, including staff costs and electricity fees.

With respect to inflation, according to the Census and Statistics Department, Hong Kong's inflation rate rose to a seven-month high of 1.9% in July 2022, with main price increases recorded for electricity, gas and water of 15.1%. In respect of staff cost increment, we have obtained from Management the compensation levels of certain grades of property management staff of the estate manager, and note that the salary increment in 2022 compared to 2019 for various grades of property management staff ranged from around 10% to 20%. We have further discussed with Management and understand that manpower shortage is a key challenge in the property management industry, and hence upward adjustments in property management staff costs are expected to retain and attract manpower. For electricity fees, we note that the electricity fee unit rate charged by CLP Power Hong Kong for Langham Place (retail and office towers) and by Power Assets Holdings for Three Garden Road increased by approximately 9% and 17% in 2022 as compared to 2021, respectively. Taking into account the above, we consider that the Annual 15% Increment applied as the annual growth rate to take into account expected inflationary increases in building management and tenancy work, is fair and reasonable.

(iii) Possible Acquisition Estate/Building Management Expense

We note that the REIT Manager has added an increment of approximately HK\$21.9 million, HK\$25.1 million and HK\$28.9 million to the Estate and Building Management Service Caps for each of FY23, FY24 and FY25, to take into account the increase in estate and building management fees as a result of future acquisitions that Champion REIT Group may undertake. The increment for FY23 of approximately HK\$21.9 million is based on the assumption that Champion REIT Group will acquire one or more properties during the three years ending 31 December 2025 as described in the sub-section headed "*Rental income – Possible Acquisition New Rental*" above (which Champion REIT continues to proactively review potential acquisition opportunities with recent market data indicating that there may be more acquisition opportunities on investment properties as more owners appear to be more willing to offer to sell) and assumes a management fee of 13% of the total projected gross rental income of the acquired property(ies). The 13% represents the three-year average building management fee as a percentage of rental income from 2019 to 2021. The Annual Increment of 15% is then applied to cater for inflationary increases in building management and tenancy work.

Having considered the above, we are of the view that the basis in determining the Estate and Building Management Service Caps for each of FY23, FY24 and FY25 are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Champion REIT and the Unitholders as a whole.

Property Management Service Caps

The proposed Property Management Service Caps amount to approximately HK\$144.0 million, HK\$158.4 million and HK\$174.3 million and represent approximately 21.0%, 20.3% and 19.6% of the total Expense Transactions Annual Caps for FY23, FY24 and FY25, respectively.

For the Property Management Service Caps, we note that such caps are attributable to (i) transactions relating to property and lease management services (the “**Property and Lease Management Services**”), (ii) transactions relating to marketing services (the “**Marketing Services**”); and (iii) a buffer to take into account the increase in property management fees as a result of future acquisitions that Champion REIT Group may undertake (the “**Possible Acquisition Property Management Expense**”).

(i) Property and Lease Management Services

The New Annual Caps attributable to Property and Lease Management Services amount to approximately HK\$82.0 million, HK\$90.2 million and HK\$99.3 million for FY23, FY24 and FY25, respectively.

We note from the Calculation Schedule that the cap for FY23 is based on the same projected amount of property and lease management fees in 2022 of HK\$82.0 million (i.e. no growth for 2023), whilst a 10% annual growth rate is applied for 2024 and 2025 to determine the respective caps in FY24 and FY25. Given that the property and lease management service fees are derived based on rental income (where the Property Manager is entitled to a fee of 3% of the gross property revenue for Property and Lease Management Services), and based on Management’s projection of 10% rental growth rate in 2024 and 2025 (whilst no growth in rental is projected for 2023) as described in the sub-section headed “*Rental Income – Rental Base*” above, the same 10% growth rate is applied for the projected property and lease management service fees for 2024 and 2025. Therefore, we consider that the proposed caps for the Property and Lease Management Services are determined on a fair and reasonable basis for FY23 to FY25.

(ii) Marketing Services

The New Annual Caps attributable to Marketing Services amount to approximately HK\$43.0 million, HK\$47.3 million and HK\$52.0 million for FY23, FY24 and FY25, respectively.

We have reviewed the Calculation Schedule and note that the amount for FY23 is based on the projected amount of marketing service fees in 2022 of approximately HK\$11.6 million and the expected increase in marketing service fees of approximately HK\$31.4 million expected to be incurred by Champion REIT in FY23. The expected increase for FY23 is projected mainly based on (i) the projected marketing service fees attributable to potential marketing services by the Property Manager for securing tenancy for the existing vacancies at Three Garden Road, Langham Place Office Tower and Langham Place Mall, based on prevailing market rent and around 1 month base rent service fee; and (ii) the projected marketing service fees attributable to potential marketing services by the Property Manager for securing new or renewal of tenancy for existing occupied areas at Three Garden Road, Langham Place Office Tower and Langham Place Mall which will expire in 2023, based on prevailing market rent and around half month to one month base rent service fee, with reference to existing fee schedule for marketing services. For 2024 and 2025, Management has applied a 10% annual growth rate for marketing service fees, being in line with the projected rental growth rate of 10% for 2024 and 2025. Taking into account the above, we consider the proposed amounts attributable to Marketing Services to be fair and reasonable.

(iii) Possible Acquisition Property Management Expense

We note that REIT Manager has added to the Property Management Service Caps approximately HK\$19.0 million, HK\$21.0 million and HK\$23.0 million for FY23, FY24 and FY25, respectively, to take into account the potential increase in property management service fees as a result of possible future acquisitions that Champion REIT Group may undertake as described in the sub-section headed “*Rental income – Possible Acquisition New Rental*” above (which Champion REIT continues to proactively review potential acquisition opportunities with recent market data indicating that there may be more acquisition opportunities on investment properties as more owners appear to be more willing to offer to sell). The increment for FY2023 of approximately HK\$19.0 million is determined with reference to (i) the rental income to be derived from the possible acquisitions based on the 5% gross rental income yield assumption as described in the sub-section headed “*Rental income – Possible Acquisition New Rental*” above; (ii) annual leasing service fee of 3% of such rental income; and (iii) an annual marketing service fee of 1 month base rent for securing tenancy. The growth rate of 10% is applied for 2024 and 2025, being in line with the expected rental growth rate of 10% for 2024 and 2025.

Having considered the above, we are of the view that the basis in determining the proposed Property Management Service Caps for each of FY23, FY24 and FY25 are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Champion REIT and the Unitholders as a whole.

7. Requirements and internal control regarding the Continuing Connected Party Transactions

Pursuant to paragraph 8.7A of the REIT Code and rules 14A.55 to 14A.59, rule 14A.71 and rule 14A.72 of the Listing Rules, the Continuing Connected Party Transactions will be subject to the following review and reporting processes.

Annual Review by the Independent non-executive Directors

The INEDs shall review the Continuing Connected Party Transactions annually and confirm in Champion REIT's annual report for the relevant financial period that each of such transactions has been entered into (i) in the ordinary and usual course of business of Champion REIT Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement on terms that are fair and reasonable and in the interests of Champion REIT and Unitholders as a whole and in accordance with the REIT Manager's internal procedures governing such transaction.

Annual Review by the Auditors

The REIT Manager shall engage the Auditors to perform certain review procedures on the Continuing Connected Party Transactions annually. The Auditors shall report and provide a letter to the REIT Manager on the factual findings based on the work performed by them confirming whether anything has come to their attention that causes them to believe that any such transaction (i) has not been approved by the Board (including all of the INEDs); (ii) was not, in all material respects, in accordance with the pricing policies of Champion REIT; (iii) was not entered into, in all material respects, in accordance with its terms of agreement; or (iv) has exceeded the applicable annual cap.

The REIT Manager shall allow and procure the counterparty to the relevant Continuing Connected Party Transactions to allow, the Auditors sufficient access to their records for the purpose of reporting on the transactions.

The REIT Manager shall provide a copy of the Auditors' report to the SFC at least 10 business days before the bulk printing of the annual report of Champion REIT.

Notification to the SFC

The REIT Manager shall promptly notify the SFC and publish an announcement if the INEDs and/or the Auditors cannot confirm the matters set out above. The SFC may require the REIT Manager to re-comply with the announcement and Independent Unitholders' approval requirements and may impose additional conditions.

Annual Reports

A brief summary of the Continuing Connected Party Transactions containing the information specified in rules 14A.71 and 14A.72 of the Listing Rules shall be included in Champion REIT's annual reports.

Internal Control System

The REIT Manager has established an internal control system to ensure that connected party transactions (including continuing connected party transactions) between Champion REIT Group and its connected persons are monitored and that such transactions are undertaken on terms in compliance with the REIT Code and the Listing Rules. As required by the REIT Code and the Listing Rules, all connected party transactions (including continuing connected party transactions) must, among other things, be carried out at arm's length, on normal commercial terms and in the interests of Champion REIT and Unitholders as a whole.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following internal control measures, among others, are in place to ensure that such transactions satisfy the foregoing criteria:

- (a) To ensure each Revenue Transaction is entered into based on the prevailing market rate and on normal commercial terms, the REIT Manager, where applicable, shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of Champion REIT, or if the principal valuer is unavailable, an independent property consultancy firm, which is able to satisfy the requisite criteria under Chapter 6 of the REIT Code, for each relevant tenancy agreement and licensing agreement before it is first entered into or if and when it is renewed, except where they are conducted on standard or published rates.
- (b) For Estate and Building Management Transactions, before entering into or renewing transactions for general tenancy works, three quotations (where practicable) shall be obtained from contractors or suppliers, including one from the relevant member of the Great Eagle Group and two from Independent Third Parties (where practicable), to conduct a comparison of the fees before the transaction is entered into, to ensure that such fees are at the then prevailing market rate.
- (c) For DMC Estate Management Transactions, the annual budget of DMC Manager(s), which contains the projected annual expenses for the DMC Manager(s) for different categories of building management expenses (such as cleaning, security and repair), is reviewed and agreed by Champion REIT. The internal auditor of the REIT Manager performs checking of the actual building management expenses incurred by the DMC Manager(s) on a sampling and an ongoing basis, which includes checking whether expenses incurred by the DMC Manager(s) were reasonable and in compliance with the relevant policies and procedures and statutory requirements. The internal auditor of the REIT Manager also reviews any budget variances to ensure that approval was sought accordingly with proper justifications.
- (d) For transactions contemplated under Langham Place Mall Estate Management Agreement and the CAF Management Agreement, the annual budget of the retail manager, which includes the projected annual expense of the retail manager for different categories of estate and building management services, is reviewed and agreed by Champion REIT. The internal auditor of the REIT Manager performs checking of the actual building management expenses incurred by the retail manager on a sampling and an ongoing basis, which includes checking whether expenses incurred by the retail manager were reasonable and in compliance with the relevant policies and procedures and statutory requirements. The internal auditor of the REIT Manager also reviews any budget variances to ensure that approval was sought accordingly with proper justifications.

- (e) For the Specified PMA Transactions, when the Specified Property Management Agreement is renewed, the REIT Manager shall arrange for an independent assessment from a property consultancy firm to be conducted on the property and lease management and marketing services fees charged for the property management services, to ensure that such fees are reasonable and at market level.
- (f) The REIT Manager maintains a register to record all connected party transactions (including continuing connected party transactions) which are entered into by members of Champion REIT Group and where applicable, the bases, including quotations from Independent Third Parties, expert opinions, and/or independent valuations obtained to support such bases, on which they are entered into. The REIT Manager will review the quotations to ensure reasonableness having regard to the scale, scope and quality of services required, and the reputation, experience and track record of performance of the service providers.
- (g) The register of connected party transactions (including continuing connected party transactions) is reviewed on a monthly basis to ensure the relevant annual caps are not exceeded and proper announcements (if required) and reporting in the financial statements will be made.
- (h) As a general rule, the REIT Manager will demonstrate to the Audit Committee that all connected party transactions (including continuing connected party transactions) are carried out at arm's length, on normal commercial terms and in the interests of Champion REIT and Unitholders as a whole, which may entail (where practicable) obtaining quotations from parties unrelated to connected persons of Champion REIT, or obtaining one or more valuation letters from independent professional valuers. In particular, the Audit Committee is provided with a summary of the connected party transactions (including continuing connected party transactions) including their transaction amounts on a half-yearly basis for review. The review shall include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.
- (i) The REIT Manager will incorporate into its internal audit plan a review of all controls on all connected party transactions (including continuing connected party transactions) entered into by Champion REIT Group.

We are of the view that the aforesaid review requirements and internal control measures can provide appropriate measures to govern the REIT Manager in carrying out the Revenue Transactions and the Expense Transactions and safeguard the interests of Champion REIT and the Unitholders as a whole.

RECOMMENDATION

Having considered the aforesaid principal factors and reasons, we consider that:

- (i) the terms of each of the Revenue Transactions Framework Agreement and the Expense Transactions Framework Agreement, and the basis for the Revenue Transactions and the Expense Transactions (including the New Annual Caps and the basis of arriving at the same) are fair and reasonable and are in the interests of Champion REIT and the Unitholders as a whole; and
- (ii) each of the Revenue Transactions and the Expense Transactions (i) is conducted in the ordinary and usual course of business of Champion REIT Group and consistent with the investment objectives and strategy of Champion REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of Champion REIT and the Unitholders as a whole.

We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we also recommend the Independent Unitholders, to vote in favour of resolutions in respect of the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps as set out in the EGM Notice.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau **Colin Lee**
Managing Director *Director*

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004, and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2013 to 2018 and since 2020.

1. RESPONSIBILITY STATEMENT

This Circular, for which the REIT Manager and the Directors collectively and individually accept full responsibility (including for the accuracy of the information contained therein), includes particulars given in compliance with the REIT Code and the Listing Rules for the purpose of giving information with regard to Champion REIT. The REIT Manager and the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this Circular:

Name	Qualification
Ballas Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in any member of Champion REIT Group nor did it have the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of Champion REIT Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had since 31 December 2021 (being the date to which the most recent published audited financial statements of Champion REIT were made up) been acquired or disposed of by or leased to any member of Champion REIT Group, or were proposed to be acquired or disposed of by or leased to any member of Champion REIT Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion herein of the references to its name and its opinion and recommendation in the form and context in which they appear.

The Letter from the Independent Financial Adviser is given as of the date of this Circular for incorporation herein.

3. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the REIT Manager and the Directors were not aware of any material adverse change in the financial or trading position of the Champion REIT Group since 31 December 2021 (being the date to which the most recent published audited financial statements of Champion REIT Group were made up).

4. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the REIT Manager, the following persons had interests or short positions in the Units, underlying Units or debentures of Champion REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the REIT Manager and the Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 of the Trust Deed, or which were recorded in the register required to be kept by the REIT Manager pursuant to Schedule 3 of the Trust Deed:

Directors and Chief Executive of the REIT Manager

Name	Capacity	Nature of Interests	Number of Units/ Underlying Units Held	Total Number of Units/Underlying Units Held ⁸	Percentage of Issued Units (%) ⁹
Lo Ka Shui	Beneficial Owner	Personal Interests	3,592,007		
	Interests of Controlled Corporations	Corporate Interests	4,078,877,964 ¹		
	Settlor and a Member of the Advisory Committee and Management Committee of a Charitable Trust	Other Interests	10,061,000	4,092,530,971 ²	68.51
Cheng Wai Chee, Christopher	Beneficiary of a Trust	Trust Interests	13,424,730	13,424,730 ⁵	0.22
Wong Mei Ling, Marina	Beneficial Owner	Personal Interests	200,000	200,000 ⁶	0.00

REIT Manager (also a substantial Unitholder)

Name	Total Number of Units/ Underlying Units Held ⁸	Percentage of Issued Units (%) ⁹
Eagle Asset Management (CP) Limited	536,652,996	8.98

Substantial Unitholders

Name	Total Number of Units/ Underlying Units Held ⁸	Percentage of Issued Units(%) ⁹
Great Eagle Holdings Limited (“Great Eagle”)	4,075,619,354 ³	68.23
HSBC International Trustee Limited	4,049,771,805 ⁴	67.79
HKSCC Nominees Limited	2,321,110,418 ⁷	38.86
Top Domain International Limited	1,420,416,628	23.78
Keen Flow Investments Limited	1,071,375,933	17.93
Bright Form Investments Limited	680,232,558	11.39

Notes:

(1) Among these 4,078,877,964 Units:

(a) 50,000 Units, 940,000 Units, 589,000 Units and 1,679,610 Units were respectively held by Alexander C H Limited, Elizabeth B K Limited, Katherine B L Limited and Nicholas C N Limited, all of which are wholly-owned by Dr Lo Ka Shui who is also a director of these companies; and

(b) 4,075,619,354 Units and/or underlying Units were indirectly held by Great Eagle as explained in Note 3 below. Dr Lo Ka Shui is a substantial shareholder, the Chairman and Managing Director of Great Eagle.

(2) The unitholdings of Dr Lo Ka Shui and his associates increased by 25,009,979 Units/underlying Units in aggregate as compared with the position as at 30 June 2022.

(3) The 4,075,619,354 Units were indirectly held by Great Eagle through its controlled corporations as listed in the following table. The following table shows the number of Units and/or underlying Units held by these companies as at the Latest Practicable Date and 30 June 2022 respectively:

Name	Number of Units/ Underlying Units Held As at the Latest Practicable Date	Number of Units/ Underlying Units Held As at 30 June 2022
Top Domain International Limited	1,420,416,628	1,420,416,628
Keen Flow Investments Limited	1,071,375,933	1,071,375,933
Bright Form Investments Limited	680,232,558	680,232,558
Eagle Asset Management (CP) Limited	536,652,996	518,033,947
Fine Noble Limited	200,007,503	200,007,503
Great Eagle Nichemusic Limited	61,345,743	61,345,743
The Great Eagle Company, Limited	102,492,993	94,401,993
Ecobest Ventures Limited	3,095,000	3,095,000

- (4) *The disclosure was based on the latest Disclosure of Interest Form (with the date of relevant event as at 11 July 2022) received from HSBC International Trustee Limited ("HITL"). The number of Units held by HITL increased by 88,848,521 Units when compared with the position as at 30 June 2022.*

HITL was deemed to be interested in the same parcel of Units and underlying Units held by Great Eagle in its capacity as a trustee of a discretionary trust which held 34.06% interests in Great Eagle. Dr Lo Ka Shui (a director of the REIT Manager), Madam Lo To Lee Kwan, Mr Lo Hong Sui, Antony, Madam Law Wai Duen, Mr Lo Hong Sui, Vincent and Dr Lo Ying Sui (all being directors of Great Eagle) are among the discretionary beneficiaries of the discretionary trust. Dr Lo Ka Shui in his personal capacity, as controlling shareholder of certain companies and as the founder of another discretionary trust held 30.32% voting right in the capital of Great Eagle.

- (5) *The unitholdings of Mr Cheng Wai Chee, Christopher remained unchanged as compared with the position as at 30 June 2022.*
- (6) *The unitholdings of Ms Wong Mei Ling, Marina remained unchanged as compared with the position as at 30 June 2022.*
- (7) *As far as the REIT Manager is aware, HKSCC Nominees Limited held such Units as a nominee. The number of Units held by HKSCC Nominees Limited decreased by 450,975 Units when compared with the position as at 30 June 2022.*
- (8) *Unless otherwise stated, the interests in Units disclosed above represent long positions in Units and/or underlying Units.*
- (9) *This percentage has been compiled based on the total number of issued Units of Champion REIT of 5,973,675,590 as at the Latest Practicable Date.*

5. COMPETING INTERESTS

There can be circumstances where Champion REIT Group competes directly with Great Eagle Group for acquisitions or disposals of properties and for tenants as Great Eagle Group engages in the development, investment in and management of, residential units, offices, retail stores and hotels in Hong Kong and overseas. Great Eagle has not entered into any non-compete agreement with Champion REIT.

Please refer to the section titled "Conflicts of Interest and Business Competition with Great Eagle Holdings Limited" in pages 20 to 21 of the interim report of Champion REIT for the 6 months ended 30 June 2022 for details of the competing interests. Dr Lo Ka Shui is the controlling shareholder, Chairman and Managing Director of Great Eagle.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Champion REIT Group, or had or may have had any other conflicts of interest with the Champion REIT Group pursuant to rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2021 (being the date to which the most recent published audited financial statements of Champion REIT were made up) been acquired or disposed of by or leased to any member of the Champion REIT Group, or were proposed to be acquired or disposed of by or leased to any member of the Champion REIT Group; and none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Champion REIT Group taken as a whole.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Champion REIT Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. INSPECTION OF DOCUMENTS

Copies of the Framework Agreements, CAF Management Agreement, DMC Agreements, Langham Place Mall Estate Management Agreement and Specified Property Management Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and Champion REIT (www.Championreit.com) for a period of 14 days from the date of this Circular. The Trust Deed will also be available for inspection at the registered office of the REIT Manager for so long as Champion REIT continues to be in existence.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ChampionREIT

冠君產業信託

Champion Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 2778)

Managed by

Eagle Asset Management

Eagle Asset Management (CP) Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of unitholders (“**Unitholders**”) of Champion Real Estate Investment Trust (“**Champion REIT**”) will be held at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Thursday, 24 November 2022 at 4:00 p.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 8 November 2022 (“**Circular**”).

1. THAT:

- (a) the Revenue Transactions Framework Agreement, the Revenue Transactions and the Revenue Transactions Annual Caps be and are hereby approved, confirmed and ratified; and
- (b) authorisation be granted to the REIT Manager, any director of the REIT Manager, the Trustee and any authorised signatory of the Trustee (“**Authorised Person**”) to do all such acts and things (including executing all such documents as may be required) as such Authorised Person may consider expedient or necessary or in the interest of Champion REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.

2. THAT:

- (a) the Expense Transactions Framework Agreement, the Expense Transactions and the Expense Transactions Annual Caps be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) authorisation be granted to the REIT Manager, any director of the REIT Manager, the Trustee and any authorised signatory of the Trustee (“**Authorised Person**”) to do all such acts and things (including executing all such documents as may be required) as such Authorised Person may consider expedient or necessary or in the interest of Champion REIT to give effect to the matters resolved upon in paragraph (a) of this resolution.

By Order of the Board
Eagle Asset Management (CP) Limited
(as manager of Champion Real Estate Investment Trust)
Lo Ka Shui
Chairman

Hong Kong, 8 November 2022

Registered Office of the REIT Manager:
Suite 3008, 30th Floor, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Notes:

1. A Unitholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on poll in his/her stead. The person appointed to act as proxy need not be a Unitholder. **To safeguard the health and safety of the Unitholders and to prevent the spreading of the COVID-19, Unitholders are strongly encouraged to cast their votes by submitting a proxy form appointing the Chairman of the EGM as their proxy.**
2. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at the registered office of the REIT Manager at Suite 3008, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Unitholders from attending and voting in person should they so wish. In the event that Unitholders attend the EGM or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
3. In the case of joint holders of a Unit, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the Register of Unitholders.
4. For the purposes of determining entitlements to attend and vote at the EGM, the Register of Unitholders will be closed from Tuesday, 22 November 2022 to Thursday, 24 November 2022, both days inclusive, during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with Champion REIT’s Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 21 November 2022.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. In compliance with the Trust Deed and the REIT Code, Dr Lo Ka Shui and his controlled entities (including Great Eagle Group) shall abstain from voting on the Ordinary Resolutions. Dr Lo Ka Shui has agreed that he will abstain, and will procure each of his controlled entities (including Great Eagle Group) to abstain, from voting at the EGM on the Ordinary Resolutions to approve the Framework Agreements, the Continuing Connected Party Transactions and the New Annual Caps, except pursuant to a proxy given by Independent Unitholders where a specific direction as to voting is given.
6. A form of proxy for use at the EGM is sent to the Unitholders together with the Circular on Tuesday, 8 November 2022. The form of proxy is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and can also be downloaded from Champion REIT's website at www.ChampionReit.com.
7. If a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 2:00 p.m. on Thursday, 24 November 2022, the EGM will be rescheduled. The REIT Manager will publish an announcement on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and Champion REIT's website at www.ChampionReit.com to notify Unitholders of the date, time and venue of the rescheduled meeting.
8. The EGM venue has wheelchair access. Anyone accompanying a Unitholder in need of assistance will be admitted to the EGM. If any member with a disability has a question regarding attendance, please contact the Company Secretarial Division of the REIT Manager by email at ChampionReit.ecom@eam.com.hk.
9. **To protect the attending Unitholders, staff and stakeholders from the risk of infection of COVID-19, Champion REIT will implement the following precautionary and control measures at the EGM against the pandemic:**
 - (i) **Compulsory body temperature check;**
 - (ii) **Compulsory wearing of surgical facial masks;**
 - (iii) **Mandatory health declaration;**
 - (iv) **Maintaining a safe distance between seats;**
 - (v) **No provision of refreshments or beverages; and**
 - (vi) **No distribution of coupons for subsequent consumption.**

Should anyone seeking to attend the EGM decline to submit to these requirements or be found to be suffering from a fever (i.e. having a body temperature of over 37.5 degrees Celsius) or otherwise unwell, Champion REIT reserves the right to refuse such person's admission to the EGM.
10. **Subject to the development of COVID-19, Champion REIT may change the EGM arrangements at short notice and may issue further announcement as appropriate. Unitholders should check the Champion REIT's website (www.ChampionReit.com) for updates on the latest arrangement of the EGM.**

As at the date of this notice, the Board of Directors of the REIT Manager comprises:

Non-executive Directors:

Dr Lo Ka Shui (*Chairman*) and Ms Wong Mei Ling, Marina

Executive Directors:

Ms Hau Shun, Christina (*Chief Executive Officer*) and Mr Kwong Chi Kwong

Independent Non-executive Directors:

Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan, Mr Ip Yuk Keung, Albert and Mr Shek Lai Him, Abraham