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# 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

## CONNECTED PARTY TRANSACTION ENTRY INTO OF JOINT VENTURE AGREEMENT IN RELATION TO THE JOINT VENTURE FORMED TO ACQUIRE AN OFFICE PROPERTY IN LONDON AND COMPLETION OF THE ACQUISITION

The Board is pleased to announce that completion under the Sale and Purchase Agreement took place on 9 April 2021. Upon the Acquisition Completion, Champion REIT's investment in the Property (through the Joint Venture) will be treated as a Non-qualified Minority-owned Property as permitted under the REIT Code. Further, the JV Parties have entered into the JVA on the same day, to govern their relationship as shareholders of the JV Company. Following the entry into of the JVA, the MOA has been terminated.

As at the date of this announcement, Mr Christopher Cheng is a Director and therefore a connected person of Champion REIT under 8.1(e) of the REIT Code. As each of Wing Tai and Wing Tai Sub is an associate of Mr Christopher Cheng, each of them is therefore a connected person of Champion REIT under 8.1(f) of the REIT Code. As Wing Tai is one of the JV Parties, the establishment of the Joint Venture, including, among other things, the entry into of the JVA by Wing Tai and Wing Tai Sub, constitutes a connected party transaction of Champion REIT under the REIT Code and the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

Since the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the establishment of the Joint Venture (via the entry into of the JVA) is subject to the announcement and reporting requirements but exempted from the Unitholders' approval requirement under the REIT Code and the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Top Paramount, Sparkle Delight, Top Paramount Sub and Sparkle Delight Sub is a third party independent of Champion REIT and its connected persons.

This announcement is made pursuant to 10.3 and 10.5A of the REIT Code.

Reference is made to the announcement of Champion REIT dated 28 February 2021 regarding the connected party transaction in relation to a minority interest in a joint venture formed to acquire an office property in London (the "**Announcement**"). Unless otherwise stated, capitalised terms used herein have the meanings ascribed to them in the Announcement.

The Board is pleased to announce that completion under the Sale and Purchase Agreement took place on 9 April 2021. Upon the Acquisition Completion, Champion REIT's investment in the Property (through the Joint Venture) will be treated as a Non-qualified Minority-owned Property as permitted under the REIT Code. Further, the JV Parties have entered into a shareholders' agreement (the "**JVA**") on the same day, to govern their relationship as shareholders of Athene Investment (BVI) Limited, being the JV Company. Following the entry into of the JVA, the MOA has been terminated.

## 1. KEY TERMS OF THE JVA

Key terms of the JVA are set out below:

- Date : 9 April 2021
- Parties : (1) Top Paramount Limited ("**Top Paramount**")  
 (2) Eagle Asset Management (CP) Limited (as manager of Champion Real Estate Investment Trust) ("**Manager**")  
 (3) Wing Tai Properties Limited ("**Wing Tai**")  
 (4) Sparkle Delight Limited ("**Sparkle Delight**")  
 (5) Candace Assets Limited, being a wholly-owned subsidiary of Top Paramount through which its interest in the JV Company is held ("**Top Paramount Sub**")  
 (6) CP Investments (UK) Limited ("**Champion SPV**")  
 (7) Luxury Garden Holdings Limited, being a wholly-owned subsidiary of Wing Tai through which its interest in the JV Company is held ("**Wing Tai Sub**")  
 (8) Perfect Impress Limited, being a wholly-owned subsidiary of Sparkle Delight through which its interest in the JV Company is held ("**Sparkle Delight Sub**")  
 (9) Athene Investment (BVI) Limited ("**JV Company**")

As at the date of this announcement, the Shareholding Proportion of each JV Party is as follows:

	<u>Shareholding Proportion</u>
Top Paramount (held through Top Paramount Sub)	31%
Champion SPV	27%
Wing Tai (held through Wing Tai Sub)	21%
Sparkle Delight (held through Sparkle Delight Sub)	21%
<b>Total</b>	<b>100%</b>

Business of the JV Company and Target Company : The sole business of the JV Company shall be the investment in the Target Company and the acquisition of the Property through the acquisition of the Target Company.

The sole business of the Target Company shall be the holding of the Property for long term rental and other income as well as for capital value growth purposes.

The Property is an 11-storey (including one lower ground floor) building situated at 66 Shoe Lane, London EC4A 3BQ (formerly known as Athene Place), with approximately 153,462 square feet of office and ancillary space and approximately 4,196 square feet of retail space. The value of the Property was appraised by the JV Valuer to be £260 million as at 15 December 2020. For further details of the Property, please refer to the Announcement.

Financing : The JV Parties are responsible for the funding requirements of the JV Company and its subsidiaries for, among others: (i) the Acquisition; (ii) the operation of the Property; (iii) repayment of external loans; and (iv) interests on the external loans, in each case on a *pro rata* basis based on the JV Parties' respective Shareholding Proportion.

The JV Company shall obtain separate approvals from the respective boards of each JV Party prior to obtaining external loans from any banks or financial institutions. If such banks or financial institutions require guarantees, indemnities or securities, the JV Parties shall only provide the same on a several and *pro rata* basis based on their respective Shareholding Proportion.

In the event external loans are insufficient and additional financing is required, this shall be satisfied by shareholder loans on a *pro rata* basis based on the JV Parties' respective Shareholding Proportion, unless the JV Parties unanimously agree to other arrangements.

If requested by the JV Company, the JV Parties may extend interest-bearing cash loans to the JV Company and its subsidiaries in order to meet urgent cash requirements.

Board composition : The JV Company shall have four directors. Each JV Party shall be entitled to appoint one director to the board of directors of the JV Company for every whole 20% of the shareholding interest held by it. Based on the Shareholding Proportion, each JV Party will have the right to appoint one director.

Reserved matters : The following matters in relation to the JV Company or any of its subsidiaries shall require the unanimous consent of all JV Parties:

- change or cessation of the nature or scope of business
- mergers, acquisitions, disposals or winding up
- entry into of transactions which are not on an arm's length basis and in the ordinary course of business
- change or amendment to the terms of transactions with prior written approval of each of the JV Parties which are not on an arm's length basis and in the ordinary course of business
- change to equity capital structure, issuance of any further shares, securities or financial derivative instrument or creation of any options to subscribe for or acquire shares
- creation of encumbrances or provision of guarantees or indemnities
- change to the JVA or constitutional documents
- assignment or declaration of any rights or benefits under the JVA
- borrowings
- choice of banks or financial institutions to be used for the external loans and any agreement on the terms of the external loans
- incurring expenditure in respect of any line item that is 30% or more in excess of the amount of that line item in the approved annual budget
- incurring capital expenditure exceeding £500,000
- changes to dividend distribution policy
- acquisitions, transfers or disposals of assets exceeding £500,000
- commencement or settlement of litigation, arbitration or administrative proceedings
- refund of shareholder loan previously advanced by one JV Party to another JV Party other than on a *pari passu* basis or in accordance with the JVA

The following matters in relation to the JV Company or any of its subsidiaries shall require the consent of not less than three JV Parties holding in aggregate not less than 51% of the issued shares of the JV Company:

- (subject to the JV Parties having unanimously consented to the disposal) exercise of any discretion, power or authority or the giving of any consent in connection with the disposal of shares of the JV Company or any of its subsidiaries
- appointment of key consultants and advisers, including the Project Manager
- approval of annual budget
- incurring non-capital expenditure not set out in approved annual budget
- incurring capital expenditure equal to or less than £500,000

- Distributions : All profits of the JV Company's subsidiaries shown in their respective audited accounts or management accounts (as the case may be) shall be paid out by way of dividend to the extent permissible by law to its shareholder, and ultimately by the JV Company to its shareholders, provided that the JV Company and its subsidiaries shall retain sufficient cash to meet any instalments of principal or interest due on external loans and working capital requirements.
- Restriction on transfers : Each JV Party may transfer its shares of the JV Company subject to the other JV Parties' right of first offer and tag along rights in respect of such shares. The JV Parties shall have the right to disapprove a proposed transfer if the proposed transferee is not of comparable standing and/or reputation or otherwise acceptable.
- Deadlock : In the event of a deadlock, each of the JV Parties shall attempt to resolve the dispute in accordance with the dispute resolution mechanism set out in the JVA. If the dispute is not resolved, any JV Party may trigger the exit mechanism set out in the JVA, whether before or after the fifth anniversary of the Acquisition Completion.
- Default : In the event of a default, each of the non-defaulting JV Parties is entitled, among other rights and remedies, to acquire the defaulting JV Party's stake at a discount.
- Exit : After the fifth anniversary of the Acquisition Completion, any JV Party (the "**exiting JV Party**") may trigger the exit mechanism set out in the JVA, whereupon such exiting JV Party may invite the other JV Parties to submit an expression of interest in acquiring the exiting JV Party's stake or, failing which, any JV Party may trigger the third party sale process set out in the JVA.
- Termination : The JVA shall terminate immediately:
- when the JV Company and all of its subsidiaries have been wound up or have otherwise ceased to exist as separate corporate entities;
  - if only one JV Party remains holding shares in the JV Company; and
  - in respect of the rights and obligations of any JV Party, if it ceases to hold any shares of the JV Company and each person to whom the shares have been transferred by that JV Party has entered into a deed of adherence.
- Governing law : Laws of Hong Kong

## **2. REASONS FOR, BENEFITS OF AND RISKS OF ENTERING INTO THE JOINT VENTURE**

The REIT Code allows REITs to invest in jointly owned properties via a joint venture entity where such joint ownership arrangement is in the best interests of the REIT's unitholders.

As disclosed in the Announcement, the benefits to Champion REIT of entering into the Joint Venture are to allow Champion REIT to diversify its existing portfolio of properties outside Hong Kong with a lower investment outlay than that required for 100% ownership, while at the same time leveraging on the existing experience and capabilities of Wing Tai (which has been appointed by the JV Company as the Project Manager) in owning and managing real estate in the UK. Wing Tai's property portfolio currently includes three wholly-owned commercial properties and three jointly owned commercial properties in the UK.

As disclosed in the Announcement, the risks to Champion REIT of entering into the Joint Venture include the Manager not having management control and oversight over the daily operations and financial condition of, and reliance on the Project Manager to manage the affairs of, the Property, the Target Company and the JV Company, potential for disputes with the other JV Parties and the other JV Parties committing a default under the JVA. Such risks are mitigated by the JV Parties clearly setting out in the JVA their respective rights, obligations and responsibilities and mechanisms for resolving disputes and deadlocks and effecting exits.

Having regard to the above, the Manager believes that the terms of the Joint Venture as specified in the JVA are fair and reasonable and the entry into of the Joint Venture as specified in the JVA is in the best interests of the Unitholders as a whole.

## **3. REGULATORY IMPLICATIONS**

### **3.1 Connected Party Transaction**

As at the date of this announcement, Mr Christopher Cheng is a Director and therefore a connected person of Champion REIT under 8.1(e) of the REIT Code. As each of Wing Tai and Wing Tai Sub is an associate of Mr Christopher Cheng, each of them is therefore a connected person of Champion REIT under 8.1(f) of the REIT Code. As Wing Tai is one of the JV Parties, the establishment of the Joint Venture, including, among other things, the entry into of the JVA by Wing Tai and Wing Tai Sub, constitutes a connected party transaction of Champion REIT under the REIT Code and the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

The aggregate capital commitment of Champion REIT in respect of the Joint Venture is expected to be £69.7 million, after taking into account the Champion SPV's *pro rata* share, based on its Shareholding Proportion, of the consideration paid for the Acquisition, stamp duty, transaction costs and expenses and the ongoing working capital needs of the JV Company and the Target Company.

The financing obligations of the Champion SPV to the JV Company (as well as the fees payable to the Manager and the Trustee and other expenses) will be satisfied using the internal resources and debt facilities of Champion REIT, with the intention to fully hedge foreign exchange fluctuations.

Since the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the establishment of the Joint Venture (via the entry into of the JVA) is subject to the announcement and reporting requirements but exempted from the Unitholders' approval requirement under the REIT Code and the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Top Paramount, Sparkle Delight, Top Paramount Sub and Sparkle Delight Sub is a third party independent of Champion REIT and its connected persons.

### **3.2 Opinion of the Board**

The Board, including the INEDs (other than Mr Christopher Cheng):

- (a) is of the view that: (i) the Joint Venture is consistent with Champion REIT's investment policy and in compliance with the REIT Code and the Trust Deed; (ii) the terms of the Joint Venture as set out in the JVA are fair and reasonable; (iii) the Joint Venture is on normal commercial terms and in the ordinary and usual course of business of Champion REIT; and (iv) the Joint Venture is in the interests of Champion REIT and the Unitholders as a whole; and
- (b) confirms that no Unitholders' approval is required under the REIT Code and the Trust Deed for the Champion SPV to enter into the JVA and the transactions contemplated thereunder.

As Mr Christopher Cheng has shareholding interest in Wing Tai, Mr Christopher Cheng has a material interest in the Joint Venture and, accordingly, has abstained from voting on the Board resolution to approve the Joint Venture, including, among other things, the entry into of the JVA;

Save as disclosed, none of the other Directors has a material interest in the Joint Venture and/or is required to abstain from voting on the resolution of the Board to approve the Joint Venture, including, among other things, the entry into of the JVA.

### **3.3 Opinion of the Trustee**

Based and in sole reliance on the information and assurances provided by the Manager including in this announcement, and the opinion of the Audit Committee (in respect of the terms of the connected party transactions), which is consistent with the opinion of the Board, the Trustee, having taken into account its duties set out in the REIT Code and the Trust Deed, is of the view that:

- (a) the transactions contemplated by the Joint Venture include connected party transactions of Champion REIT with Wing Tai and Wing Tai Sub;
- (b) the terms of such connected party transactions are: (i) consistent with Champion REIT's investment policy and in compliance with the REIT Code and the Trust Deed; (ii) in the interests of the Unitholders as a whole; and (iii) normal commercial terms which are fair and reasonable; and
- (c) no Unitholders' approval is required under the REIT Code and the Trust Deed for such connected party transactions.

Accordingly, and on the above basis, the Trustee has no objection to such connected party transactions.

The above views are expressed solely to comply with 8.7D of the REIT Code.

## **4. INFORMATION ON THE JV PARTIES**

### **4.1 Information on Champion REIT and the Champion SPV**

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 of Hong Kong Limited. 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.

The Champion SPV is a special purpose vehicle of Champion REIT established in the British Virgin Islands for the purpose of holding Champion REIT's interest in the JV Company which will, upon the Acquisition Completion, hold the Property through the Target Company.

### **4.2 Information on Top Paramount, Wing Tai and Sparkle Delight**

The principal business of each of Top Paramount and its wholly-owned subsidiary, Top Paramount Sub, is investment holding. The ultimate beneficial owner of Top Paramount and Top Paramount Sub is Mr Chee Chen Tung.

The issued shares of Wing Tai are listed on the Main Board of The Stock Exchange of Hong Kong Limited and its core businesses include property development, property investment and management and hospitality investment and management. Wing Tai Sub is a wholly-owned subsidiary of Wing Tai. Based on the disclosure of interests form dated 21 January 2021, as at 19 January 2021, the largest ultimate beneficial shareholder of Wing Tai holding 462,488,185 shares representing approximately 34.14% of its then issued share capital was the trustee of a trust of which Mr Christopher Cheng and some of his brothers were beneficiaries.

The principal business of each of Sparkle Delight and its wholly-owned subsidiary, Sparkle Delight Sub, is investment holding. The ultimate beneficial owner of Sparkle Delight and Sparkle Delight Sub is Mr Lui, Francis Yiu-tung.

This announcement is made pursuant to 10.3 and 10.5A of the REIT Code.

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

Hong Kong, 9 April 2021

As at the date of this announcement, the Board comprises:

*Non-executive Directors:*

Dr Lo Ka Shui (*Chairman*), Mr Ip Yuk Keung, Albert and Ms Wong Mei Ling, Marina

*Executive Director:*

Ms Wong Ka Ki, Ada (*Chief Executive Officer*)

*Independent Non-executive Directors:*

Mr Cheng Wai Chee, Christopher, Mr Ho Shut Kan and Mr Shek Lai Him, Abraham