



Champion REIT
冠君產業信託



中期報告書
Interim Report

06

Manager

Eagle Asset Management

Eagle Asset Management (CP) Limited

Champion Real Estate Investment Trust (Stock Code: 2778)

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

Corporate Information 公司資料

BOARD OF DIRECTORS OF THE MANAGER

Non-executive Directors

LO Ka Shui (*Chairman*)
ANG Keng Lam
CHENG Wai Chee, Christopher
LO Kai Shui

Executive Director and Chief Executive Officer

STEWARDSON, Jeremy Bellinger

Independent Non-executive Directors

CHA Mou Sing, Payson
K. C. CHAN
ELDON, David Gordon
SHEK Lai Him, Abraham

TRUSTEE

HSBC Institutional Trust Services
(Asia) Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

SOLICITORS

Baker & McKenzie

AUDITORS OF CHAMPION REIT

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Savills Valuation and Professional
Services Limited

COMPANY SECRETARY OF THE MANAGER

G. E. Secretaries Limited

UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Suite 3008, 30th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

WEBSITE

<http://www.championreit.com>

管理人之董事會

非執行董事
羅嘉瑞 (主席)
洪敬南
鄭維志
羅啟瑞

執行董事兼行政總裁
STEWARDSON, Jeremy Bellinger

獨立非執行董事

查懋聲
陳家強
ELDON, David Gordon
石禮謙

受託人

滙豐機構信託服務(亞洲)有限公司

主要往來銀行

恒生銀行有限公司

律師

貝克•麥堅時律師事務所

冠君產業信託之核數師

德勤•關黃陳方會計師行

主要估值師

第一太平戴維斯估值及專業顧問
有限公司

管理人之公司秘書

鷹君秘書服務有限公司

基金單位過戶登記處

香港中央證券登記有限公司
香港
灣仔
皇后大道東183號
合和中心17樓
1712至1716室

註冊辦事處

香港
灣仔
港灣道23號
鷹君中心30樓3008室

網址

<http://www.championreit.com>



Champion Real Estate Investment Trust ("Champion REIT") is a real estate investment trust established by a Trust Deed entered into on 26th April 2006 (the "Trust Deed") and made between Eagle Asset Management (CP) Limited, as the manager of Champion REIT (the "Manager"), and HSBC Institutional Trust Services (Asia) Limited, as the trustee of Champion REIT. Champion REIT remained inactive until 24th May 2006 (the "Listing Date") when it was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and commenced operation. Consequently, the operation results covered the period from the Listing Date to 30th June 2006 (the "Relevant Period") whereas for the purpose of presenting the financial statements, the reporting period covered the period from 26th April 2006, the date of establishment (the "Establishment Date") to 30th June 2006 (the "Reporting Period").

Champion REIT was formed primarily to own and invest in an income-producing portfolio of office and retail properties in Hong Kong. Its key objectives are to provide holders of units of Champion REIT ("Unitholders") with stable and sustainable distributions and to achieve long-term capital growth. Champion REIT has initially invested in and owned the property, which comprises 91.5% of the gross rentable area of Citibank Plaza and substantially all of the parking spaces thereat. Citibank Plaza is a modern glass and steel office complex that comprises Citibank Tower, a 47-storey building, and ICBC Tower, a 37-storey building, and includes a retail podium and a carpark. It is located at 3 Garden Road, Central, near the intersection of Garden Road and Queen's Road Central, which is part of the hub of banking and financial activities in the Central District.

Distributable Income for the Period ended 30th June 2006

The net distributable income of Champion REIT to Unitholders for the Relevant Period amounted to HK\$40,149,000.

Distribution Policy

It is the policy of the Manager to distribute to Unitholders an amount equal to 100% of Champion REIT's annual distributable income for each financial year. Pursuant to the Trust Deed, Champion REIT is required to ensure that the total amount distributed to Unitholders shall be no less than 90% of Champion REIT's annual distributable income for each financial year.

Pursuant to the distribution policy stated in the Offering Circular dated 11th May 2006, Champion REIT's initial distribution policy is that two distributions will be made in respect of each year for the six-month periods ending 30th June and 31st December, except with respect to 2006, where one distribution will be made in respect of the period from the Listing Date to 31st December 2006.

Management Discussion and Analysis

OPERATIONAL REVIEW

Total revenue and total property operating expenses for the Relevant Period were HK\$51,103,000 and HK\$12,059,000 respectively with a net property income of HK\$39,044,000.

The Hong Kong Central office leasing market has continued to strengthen over the Relevant Period. Business growth momentum has strongly driven demand in the financial services sector and optimism is continuing to expand headcounts. Property analysts' vacancy rates averaged 5.2% as at 30th June 2006 for the Central District.

This strong demand and highly limited competing supply has assisted the Property Manager in its leasing efforts. Legally binding commitments on office space at the Trust's property Citibank Plaza increased from 86.1% of total rentable floor area at 31st December 2005 to 94.2% at 30th June 2006, an increase of 90,484 sq.ft.. The majority of this take up is from anchor tenancies in the Building, but also comprises a healthy cross-section of financial-sector concerns, both new set-ups and relocators.

Effective rental rates achieved in Citibank Plaza have also progressively increased; most recently concluded leases carry rental rates over 35% higher than those achieved in December 2005. Renewal rental rates have also recorded increases of between 168% and 190% over the prior-term figures. Spot rate in Citibank Plaza is now just under HK\$70.00 p.s.ft. on the gross rentable area exclusive of management charges and government rates.

The reduction in vacancy and the upward movement in spot rental achievements have resulted in the Property's average passing rent increasing from HK\$25.80 p.s.ft. for the year ended 31st December 2005 to HK\$30.91 p.s.ft. for the relevant period ended 30th June 2006.

69.3% of the leases by floor area that expired in the first half of 2006 was renewed as compared with the figure of 50.1% for 2005.

The Manager has been operating the Trust in accordance with the stated asset management strategy and will continue to manage the assets of the Trust for the benefit of Unitholders.

FINANCIAL REVIEW

Upon listing of the Trust on 24th May 2006, a total of 2,742,710,561 units were issued. The issue price per unit was HK\$5.10 and total proceeds together with the proceeds of bank financing were applied towards acquisition of the property, payment of the costs and expenses of the Global Offering and debt related costs, and for upfront swap payments.

As at 30th June 2006, Champion REIT and its subsidiaries (the "Group") had a loan facility of HK\$7,200 million comprising a HK\$7,000 million term loan facility and a HK\$200 million revolving credit facility, each for a term of 5 years. The term loan facility was fully drawn on the Listing Date and is repayable in one lump sum five years from the date of drawdown. As of 30th June 2006, the outstanding amount under the term loan facility was HK\$7,000 million and the revolving credit facility had not been drawn down. Both the term loan facility and the revolving credit facility bear interest at a variable rate. In order to hedge against fluctuations in interest rate under the term loan, effective on the Listing Date, the Group entered into interest rate swap agreements for a total notional amount equivalent to HK\$7,000 million. Under the terms of the interest rate swap agreements, the interest rate of the term loan portion of the facility had been fixed from the Listing Date until May 2011 in a "step up" structure as follows:

1st year:	0.25% p.a.
2nd year:	0.50% p.a.
3rd year:	1.00% p.a.
4th year:	1.50% p.a.
5th year:	2.00% p.a.

As at 30th June 2006, the gearing ratio, which is the total borrowings of the Group as a percentage of its gross assets was 28.5% whereas the gross liabilities of the Group as a percentage of its gross assets was 33.3%.

As at 30th June 2006, the Group recorded an investment property revaluation surplus of HK\$30 million based on a professional valuation performed by independent valuer. The investment property was pledged to secure above-mentioned loan facilities.

The Group had a HK\$351 million cash balance as at 30th June 2006 and has sufficient financial resources to satisfy its commitments and working capital requirements.

OUTLOOK

Hong Kong's role as China's international financial services centre continues to underpin its commercial property market. The strong upward trend in rental achievements in Central and improvements in occupancy level in Citibank Plaza should continue in the second half of 2006, in the absence of any major global downturn. The landlords' market in the Central office sector should mean that our pricing power will be sustained for new lettings, rental reviews and lease renewals through the year.

Since the Trust's listing on 24th May 2006, the Investment Committee has been actively researching the Hong Kong commercial property market as well as those in other Asian business centres.

The Property Manager will be continuing to focus on internal growth for the rest of 2006 via maximisation of spot rental rate achievements and increase in occupancy level. Furthermore, strategic lease term extensions are being considered, to reduce uncertainty over income streams in future years.

The Manager and the Property Manager are planning the implementation of a Tenant Relationship Management Programme during the Autumn, designed to evaluate each tenancy and to deepen business contacts with key tenants. Feedback from tenant surveys will be incorporated in services and cost audits to be undertaken before year end: these are designed to ensure that project facilities, services and amenities are relevant and effective, and that any potential cost savings are identified and captured.

The Manager remains committed to providing Unitholders with stable and sustainable growth through both proactive asset management and disciplined acquisition.

EMPLOYEES

Champion REIT is managed by the Manager and does not employ any staff itself.

New Units Issued

There were no new units issued after the Listing Date up to 30th June 2006.

Repurchase, Sale or Redemption of Units

Under the Trust Deed, the Manager is not permitted to repurchase or redeem any of the units in Champion REIT until permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time. During the Relevant Period, there was no purchase, sale or redemption in the units in Champion REIT by Champion REIT or its subsidiaries.

Connected Party Transactions

Set out below is the information in respect of the connected party transactions involving Champion REIT and its connected persons as defined in paragraph 8.1 of the Code on Real Estate Investment Trusts (the "REIT Code"):

SIGNIFICANT HOLDER

The following table sets forth information on the connected party transactions between Champion REIT and Great Eagle Holdings Limited ("Great Eagle") (being its significant holder) and Sun Fook Kong Holdings Limited ("SFK") (being a corporation controlled by certain family members of Mr. Lo Ying Shek, the Chairman of Great Eagle, and their related trusts and companies) during the Relevant Period.

CONNECTED PARTY TRANSACTION – INCOME

Name of Connected Party	Relationship with Champion REIT	Nature of the Connected Transaction	Income for the Relevant Period HK\$	Rental deposit received as at 30th June 2006 HK\$
Strong Dynamic Limited	Subsidiary of Great Eagle	Leasing transaction	879,000	note (a)
The Great Eagle Properties Management Company, Limited	Subsidiary of Great Eagle	Leasing transaction	123,000	225,000
The Great Eagle Company, Limited	Subsidiary of Great Eagle	Utilization of car park facilities	74,000	N/A
Total:			1,076,000	225,000

Note (a): By a bank guarantee of approximately HK\$2,078,000.

CONNECTED PARTY TRANSACTION – BUILDING MANAGEMENT SERVICES

Name of Connected Party	Relationship with Champion REIT	Nature of the Connected Transaction	Expenses for the Relevant Period HK\$
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	1,976,000
Longworth Management Limited*	Subsidiary of Great Eagle	Remuneration of DMC Manager	1,136,000
Sun Fook Kong Housing Services Limited	Subsidiary of SFK	Cleaning services	429,000
Total:			3,541,000

* Longworth Management Limited is the DMC Manager for Citibank Plaza under the deed of mutual covenant.

CONNECTED PARTY TRANSACTION – EXPENSES (OTHER THAN THE EXPENSES INCURRED FROM BUILDING ACCOUNTS AS MENTIONED ABOVE)

Name of Connected Party	Relationship with Champion REIT	Nature of the Connected Transaction	Expenses for the Relevant Period HK\$
The Great Eagle Properties Management Company, Limited*	Subsidiary of Great Eagle	Building management fee paid	8,444,000
Eagle Property Management (CP) Limited	Subsidiary of Great Eagle	Leasing and marketing services	1,404,000
Toptech Co. Limited	Subsidiary of Great Eagle	Repair and maintenance services	101,000
The Great Eagle Engineering Company Limited	Subsidiary of Great Eagle	Repair and maintenance services	67,000
Total:			10,016,000

* The Great Eagle Properties Management Company, Limited is the DMC Sub-manager for Citibank Plaza appointed by the DMC Manager.

THE TRUSTEE OF THE SCHEME

The following table sets forth information on the connected party transactions between Champion REIT and The Trustee of the Scheme and companies within the same group or otherwise “associated” with the Trustee (the “Trustee Connected Persons”) within the meaning given in the REIT Code during the Relevant Period.

CONNECTED PARTY TRANSACTION – INCOME

Name of Connected Party	Relationship with Champion REIT	Nature of the Connected Transaction	Income for the Relevant Period HK\$	Rental deposit received as at 30th June 2006 HK\$
HSBC Group*	Trustee Connected Persons	Leasing transaction	1,951,000	3,541,000
HSBC Group*	Trustee Connected Persons	Interest income from ordinary bank services	4,013,000	N/A
Total:			5,964,000	3,541,000

* HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries.

CONNECTED PARTY TRANSACTION – EXPENSES

Name of Connected Party	Relationship with Champion REIT	Nature of the Connected Transaction	Expenses for the Relevant Period HK\$
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	447,000
Hang Seng Bank Limited*	Trustee Connected Persons	Loan interest	37,542,000
Total:			37,989,000

* Hang Seng Bank Limited is the facility agent under the term loan and revolving credit facility of HK\$7,200 million which HK\$7,000 million term loan had been drawn down on 24th May 2006.

HOLDINGS OF CONNECTED PERSONS IN THE UNITS OF CHAMPION REIT

As at 30th June 2006, the following persons, being connected persons (as defined under the REIT Code) of Champion REIT, hold units of Champion REIT:

Name	Number of Units Held	Percentage of Unit Holdings
Alfida Limited	1,349,495,877 (Note 1)	49.20
Great Eagle Holdings Limited	1,349,495,877 (Note 1)	49.20
HSBC International Trustee Limited	1,349,495,877 (Note 1)	49.20
Jolly Trend Limited	1,349,495,877 (Note 1)	49.20
The Great Eagle Company, Limited	1,349,495,877 (Note 1)	49.20
Top Domain International Limited	1,349,495,877 (Note 1)	49.20
Lo Ka Shui	1,349,495,877 (Note 1)	49.20
Lo Kai Shui	1,349,495,877 (Note 1)	49.20
Lo Ying Sui, Archie	1,349,495,877 (Note 1)	49.20
Fortune Mega Investments Limited	114,796,151 (Note 2)	4.19
Julian Holdings Limited	114,796,151 (Note 2)	4.19
Kerry Properties Limited	114,796,151 (Note 2)	4.19
Kerry Properties (Hong Kong) Limited	114,796,151 (Note 2)	4.19
Spring Capital Holdings Limited	114,796,151 (Note 2)	4.19
Renowned Development Limited	44,198,781 (Note 3)	1.61
Wing Tai (Cheng) Holdings Limited	44,198,781 (Note 3)	1.61
Wing Tai Corporation Limited	44,198,781 (Note 3)	1.61
Cheng Wai Chee, Christopher	44,198,781 (Note 3)	1.61
Chan Kin Chung	75,000 (Note 4)	0.003
So Yiu Wah, Eric	30,000 (Note 5)	0.001
Lee Ching Ming, Adrian	24,000 (Note 6)	0.0009
Brett Butcher	2,500 (Note 7)	0.00009
Leung Tat Kai, Henry	2,000 (Note 8)	0.00007

Notes:

1. The 1,349,495,877 units, which were directly held by Top Domain International Limited, and the 1,349,495,877 units held by each of the other 8 Unitholders as named in this Note 1 were the same parcel of units. Each of Dr. Lo Ka Shui and Mr. Lo Kai Shui, Directors of the Manager, Dr. Lo Ying Sui, Archie and HSBC International Trustee Limited ("HITL") had/was deemed to have controlling interests in Great Eagle Holdings Limited ("Great Eagle"). Top Domain International Limited, Alfida Limited, The Great Eagle Company, Limited and Jolly Trend Limited were wholly-owned subsidiaries of Great Eagle. HITL was the trustee of a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai Shui and Dr. Lo Ying Sui, Archie, Directors of Great Eagle, were beneficiaries. HITL held approximately 32.6% interest in Great Eagle's shares for the discretionary trust, together with interests held for other trusts of which it was the trustee, total interest in Great Eagle's shares held by HITL was more than 33 $\frac{1}{3}$ %.
2. The 114,796,151 units, which were directly held by Fortune Mega Investments Limited ("Fortune Mega"), and the 114,796,151 units held by Kerry Properties Limited ("KPL"), Kerry Properties (Hong Kong) Limited ("KP(HK)"), Julian Holdings Limited ("JHL") and Spring Capital Holdings Limited ("SCHL") were the same parcel of units. Fortune Mega, KP(HK), JHL and SCHL were wholly owned subsidiaries of KPL and all these companies were connected persons as Mr. Ang Keng Lam, who was a Director of the Manager, was also a Director of these companies.
3. The 44,198,781 units, which were directly held by Wing Tai Corporation Limited, and the 44,198,781 units held by Mr. Cheng Wai Chee, Christopher, Wing Tai (Cheng) Holdings Limited and Renowned Development Limited were the same parcel of units. Mr. Cheng Wai Chee, Christopher, a Director of the Manager, had a direct controlling interest in Wing Tai (Cheng) Holdings Limited which was the direct holding company and ultimate holding company of Renowned Development Limited and Wing Tai Corporation Limited respectively.
4. Mr. Chan Kin Chung, who did not hold units at the Listing Date and held 75,000 units at 30th June 2006, was a connected person by virtue of his being a Director of Sun Fook Kong Holdings Limited, a corporation controlled by certain family members of Mr. Lo Ying Shek, the Chairman of Great Eagle, and their related trusts and companies.
5. Mr. So Yiu Wah, Eric, who did not hold units at the Listing Date and held 30,000 units at 30th June 2006, was a connected person by virtue of his being a senior executive of Great Eagle, a significant holder.
6. Mr. Lee Ching Ming, Adrian, who held 4,000 units at the Listing Date and his unitholding was increased to 24,000 units at 30th June 2006, was a connected person by virtue of his being a senior executive of Great Eagle.
7. Mr. Brett Butcher, who held 2,500 units at the Listing Date and at 30th June 2006, was a connected person by virtue of his being a senior executive of Great Eagle.
8. Mr. Leung Tat Kai, Henry, who held 2,000 units at the Listing Date and at 30th June 2006, was a connected person by virtue of his being a senior executive of Great Eagle.

Save as disclosed above, none of the Manager, and the Directors and chief executive of the Manager holds any units or short position in units and the Manager is not aware of any connected persons (as defined under the REIT Code) of Champion REIT holding any units as at 30th June 2006.

So far as the Manager is aware there was no change in the number of units held by the connected persons named in Note 1, Note 2 and Note 3 above during the period from the Listing Date to 30th June 2006.

Corporate Governance

The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Manager emphasize a quality board, sound internal control, and transparency and accountability to all Unitholders. The Manager has adopted its compliance manual (the "Compliance Manual") for use in relation to the management and operation of Champion REIT which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with all applicable regulations and legislation.

During the reporting period covered by this interim report, the Manager and Champion REIT has complied with the provisions of the REIT Code, the Securities and Futures Ordinance, the relevant sections of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Trust Deed and the requirements and procedures laid down in the Compliance Manual.

Summary of Real Estate Sales and Purchases

Champion REIT did not enter into any real estate sales and purchases during the reporting period.

Public Float

As far as the Manager is aware, more than 25% of the issued and outstanding units of Champion REIT were held in public hands as at 30th June 2006.

Review of Results for the Reporting Period

The results of Champion REIT for the Reporting Period have been reviewed by the Disclosures Committee and Audit Committee of the Manager.

Independent Review Report



TO THE BOARD OF DIRECTORS OF EAGLE ASSET MANAGEMENT (CP) LIMITED
(as Manager of Champion Real Estate Investment Trust)

INTRODUCTION

We have been instructed by the manager to review the interim financial report of Champion Real Estate Investment Trust ("Champion REIT") set out on pages 9 to 21.

MANAGER'S RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the manager.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Hong Kong Standard on Auditing 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report of Champion REIT for the period from 26th April 2006 (the date of establishment of Champion REIT) to 30th June 2006.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 11th August 2006

Condensed Consolidated Income Statement

For the period from 26th April 2006 (the date of establishment of Champion REIT) to 30th June 2006

	Notes	HK\$'000 (unaudited)
Rental income	5	43,298
Building management fee income		7,735
Rental related income		70
TOTAL REVENUE		51,103
Property operating expenses		(12,059)
NET PROPERTY INCOME		39,044
Interest income		4,088
Manager's fee	6	–
Listing expenses		(14,635)
Trust and other expenses	7	(1,099)
Increase in fair value of investment properties		30,000
Finance costs	8	(33,291)
PROFIT BEFORE TAX		24,107
Income taxes	9	(6,496)
PROFIT FOR THE PERIOD		17,611
INCOME AVAILABLE FOR DISTRIBUTION	10	40,149
EARNINGS PER UNIT (HK\$)	11	0.01

Condensed Consolidated Balance Sheet

As at 30th June 2006

	Notes	HK\$'000 (unaudited)
ASSETS AND LIABILITIES		
NON-CURRENT ASSETS		
Investment properties	12	22,700,000
Derivative financial instruments	13	1,453,529
Total non-current assets		24,153,529
CURRENT ASSETS		
Trade and other receivables	14	22,528
Bank balances and cash		351,059
Total current assets		373,587
TOTAL ASSETS		24,527,116
NON-CURRENT LIABILITIES		
Secured term loan	15	6,964,780
Deferred tax liabilities		6,434
Total non-current liabilities		6,971,214
CURRENT LIABILITIES		
Trade and other payables	16	891,620
Deposits received		82,458
Tax liabilities		176,536
Distribution payable		40,149
Total current liabilities		1,190,763
TOTAL LIABILITIES		8,161,977
NET ASSETS		16,365,139
UNITHOLDERS' FUNDS		
EQUITY AND RESERVES		
Issued equity	17	13,987,824
Unit issue costs		(193,508)
Retained earnings/reserves		2,570,823
TOTAL UNITHOLDERS' FUNDS		16,365,139
UNITS IN ISSUE ('000)		2,742,711
NET ASSET VALUE PER UNIT (HK\$)	18	5.97

Condensed Consolidated Statement of Movements in Capital Account

For the period from 26th April 2006 (the date of establishment of Champion REIT) to 30th June 2006

	Issued equity HK\$'000 (unaudited)	Unit issue costs HK\$'000 (unaudited)	Retained earnings/reserves		Distributable income HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
			Hedging reserve HK\$'000 (unaudited)	Others HK\$'000 (unaudited)		
(Loss) profit for the period before property appreciation	–	–	–	(52,538)	40,149	(12,389)
Increase in fair value of investment properties	–	–	–	30,000	–	30,000
(Loss) profit for the period	–	–	–	(22,538)	40,149	17,611
Net adjustment to hedging reserve	–	–	67,218	–	–	67,218
Total recognised income and expenses for the period	–	–	67,218	(22,538)	40,149	84,829
Equity raising upon listing	13,987,824	–	–	–	–	13,987,824
Excess of fair value of Property Interests acquired over acquisition cost (Note 21)	–	–	–	2,526,143	–	2,526,143
Unit issue costs	–	(193,508)	–	–	–	(193,508)
Distribution payable	–	–	–	–	(40,149)	(40,149)
Balance as at 30 June 2006	13,987,824	(193,508)	67,218	2,503,605	–	16,365,139

Condensed Consolidated Cash Flow Statement

For the period from 26th April 2006 (the date of establishment of Champion REIT) to 30th June 2006

	Note	HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Profit before tax		24,107
Adjustments for:		
Increase in fair value of investment properties		(30,000)
Listing expenses		14,635
Interest income		(4,088)
Finance costs		33,291
Operating cash flow before working capital changes		37,945
Increase in trade and other receivables		(3,280)
Decrease in trade and other payables		(5,167)
Increase in deposits received		7,138
Net cash from operating activities		36,636
INVESTING ACTIVITIES		
Interest received		3,954
Acquisition of Property Interests	21	(11,350,205)
Net cash used in investing activities		(11,346,251)
FINANCING ACTIVITIES		
Proceeds from issue of new units		6,294,521
Secured term loan raised, net of origination fee		6,964,000
Derivative financial instruments		(1,417,000)
Issue costs and listing expenses paid		(180,847)
Net cash from financing activities		11,660,674
Net increase in cash and cash equivalents		351,059
Cash and cash equivalents at beginning of the period		–
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH		351,059

Notes to Interim Financial Report

For the period from 26th April 2006 (the date of establishment of Champion REIT) to 30th June 2006

(1) GENERAL

Champion Real Estate Investment Trust ("Champion REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units have been listed on The Stock Exchange of Hong Kong Limited since 24th May 2006 ("Listing Date"). Champion REIT is governed by the deed of trust ("Trust Deed") dated 26th April 2006, made between Eagle Asset Management (CP) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee") and the Code on Real Estate Investment Trust (the "REIT Code") issued by the Securities and Futures Commission.

The principal activity of Champion REIT and its subsidiaries (the "Group") is to own and invest in income-producing office and retail properties in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

(2) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation of financial statements

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed financial statements include applicable disclosures required by the REIT Code issued by the Securities and Futures Commission and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed financial statements have been prepared on the historical basis, except for investment properties and certain financial instruments, which are measured at fair values.

The condensed financial statements are presented in Hong Kong dollars, which is the same as the functional currency of Champion REIT.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Champion REIT and the subsidiaries controlled by Champion REIT up to 30th June 2006. Control is achieved when Champion REIT has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances are eliminated on consolidation.

Investment properties

On initial recognition, investment properties, which are properties held to earn rentals or for capital appreciation or both, are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in fair value of investment property are included in profit and loss for the period in which they arise.

An investment property is derecognised upon disposal or when an investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals.

Land held under operating leases are classified and accounted for as investment properties as if it were a finance lease when the rest of the definition of investment property is met.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs (which include origination fees) that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Loans and receivables (including trade and other receivables and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Group's financial liabilities include secured term loan and trade and other payables which are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Champion REIT are recorded at the proceeds received. Transaction costs of the equity instruments issued in relation to the initial public offering and listing units of Champion REIT are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Other transaction costs are recognised as an expense.

Financial instruments (Continued)

Derivative financial instruments and hedge accounting

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Hedges are classified as cash flow hedges when hedges are made to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability.

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognised in equity and "recycled" into the income statement when the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting are deemed as financial assets or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense in the income statement immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income in the income statement immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for service provided in the normal course of business.

Rental income from operating lease is recognised in the income statement on a straight-line basis over the terms of the relevant leases. Lease incentives provided to the leasees are amortised on a straight-line basis over the respective term of the lease.

Building management fee income is recognised when building management services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowings cost

Borrowings cost are recognised as an expense in the income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Potential impact arising from recently issued accounting standards

At the date of authorisation of these condensed financial statements, the following Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC)") were issued but not yet effective. The Manager anticipates that the application of these standards or interpretations will have no material impact on the results and financial position of the Group:

HKAS 1 (Amendment)	Capital Disclosures ^a
HKFRS 7	Financial Instruments: Disclosures ^a
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ^b
HK(IFRIC) – INT 8	Scope of HKFRS 2 ^c
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ^d

^a Effective for annual periods beginning on or after 1st January 2007.

^b Effective for annual periods beginning on or after 1st March 2006.

^c Effective for annual periods beginning on or after 1st May 2006.

^d Effective for annual periods beginning on or after 1st June 2006.

(3) FINANCIAL RISKS MANAGEMENT OBJECTIVE AND POLICIES

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Cash and fixed deposits are placed with reputable financial institutions. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. The Manager reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group has put in place interest rate swap arrangements to minimise the variability in cash flows attributable to changes in interest rate. This involves fixing the portion of interest payable on its underlying debt liabilities via financial derivatives.

Liquidity risk

The Group is in a net current liability position at the balance sheet date. The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the Manager observes the REIT Code issued by the Securities and Futures Commission concerning limits on total borrowings and monitors the level of borrowing to be within the permitted limit. A revolving credit facility has also been put in place for contingency purposes as disclosed in note 15.

(4) SEGMENT INFORMATION

All of the Group's operations are located and carried out in Hong Kong, and the sole principal activity of the Group is property investment. Accordingly, no segment information by business and geographical segment is presented.

(5) RENTAL INCOME

	HK\$'000 (unaudited)
Rental income	42,086
Car park income	1,212
	43,298

(6) MANAGER'S FEE

Under the Trust Deed, provided that Champion REIT achieves net property income (before deduction therefrom of the Manager's fee) of HK\$270 million for the period from the Listing Date to 31st December 2006, the Manager will receive a Manager's fee of 12% of the net property income of Champion REIT (before deduction therefrom of the Manager's Fee) for such period.

Based on the projected net property income for the period from the Listing Date to 31st December 2006, the Manager considers that the net property income will not achieve the target amount, therefore no liability in respect of the Manager's fee has been recognised at 30th June 2006.

(7) TRUST AND OTHER EXPENSES

	HK\$'000 (unaudited)
Audit fee	350
Trustee's fee	447
Other professional fees and charges	302
	1,099

(8) FINANCE COSTS

Finance costs represent interest expense on secured term loan.

(9) INCOME TAXES

	HK\$'000 (unaudited)
Hong Kong Profits Tax:	
Current tax	62
Deferred tax	6,434
	6,496

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

(10) INCOME AVAILABLE FOR DISTRIBUTION

	HK\$'000 (unaudited)
Profit for the period	17,611
Adjustments:	
Listing expenses	14,635
Increase in fair value of investment properties	(30,000)
Finance costs	31,469
Deferred tax	6,434
Net income available for distribution	40,149

As disclosed in Champion REIT's offering circular dated 11th May 2006, Champion REIT's first distribution after the Listing Date will be for the period from the Listing Date to 31st December 2006. Accordingly, income available for distribution for the period together with the income available for distribution for the second half of 2006 will be paid to the registered unitholders of Champion REIT as of the record date for the final distributions for the period ending 31st December 2006.

The Manager will distribute to Unitholders an amount equal to 100% of Champion REIT's distributable income for the period ending 31st December 2006. Accordingly, a liability of HK\$40,149,000 had been recognized at the balance sheet date based on the net income available for distribution of Champion REIT.

(11) EARNINGS PER UNIT

The earnings per unit is calculated by dividing the profit for the period of HK\$17,611,000 by 2,742,710,561 units, being the number of units in issue during the period.

(12) INVESTMENT PROPERTIES

On 30th June 2006, Savills Valuation and Professional Services Limited undertook an independent valuation. This firm is an independent qualified professional valuer not connected to the Group. The valuation, which conforms to International Valuation Standards, was determined by reference to market prices of relevant period for similar properties.

The Group's property interests held under operating leases which are located in Hong Kong under medium-term leases are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties have been pledged to secure banking facilities granted to the Group.

(13) DERIVATIVE FINANCIAL INSTRUMENTS

	HK\$'000 (unaudited)
Cash flow hedge – interest rate swaps	1,453,529

The Group uses interest rate swaps to minimise the exposure to movements in interest rates in relation to its floating rate term loan by swapping from floating rate to fixed rate. The interest rate swaps and the corresponding term loan have the same terms and the Manager considers that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK\$7,000,000,000	24th May 2011	From 3 months Hong Kong Interbank Offered Rate ("HIBOR") plus 0.53% to step up rate of 0.25% in the first year, 0.5% in the second year, 1% in the third year, 1.5% in the fourth year and 2% in the fifth year

The above derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the discounted cash flow model.

(14) TRADE AND OTHER RECEIVABLES

	HK\$'000 (unaudited)
Trade receivables	220
Deferred rent receivables	6,246
Deposits, prepayments and other receivables	14,563
Amounts due from related companies	1,499
	22,528

The Group maintains a defined credit policy. Rental receivable from tenants are payable on presentation of invoices. The age analysis of trade receivables is as follows:

	HK\$'000 (unaudited)
0 – 3 months	220

The amounts due from related companies are unsecured, interest-free and repayable on demand. The Manager considers that the carrying amount of trade and other receivables approximates its fair value.

(15) SECURED TERM LOAN

	HK\$'000 (unaudited)
Secured term loan	7,000,000
Origination fee	(35,220)
	6,964,780

Under the banking facility agreement, the Group has been granted a facility of HK\$7,200,000,000 before origination fee, comprising a HK\$7,000,000,000 term loan and a HK\$200,000,000 revolving credit facility.

The HK\$7,000,000,000 term loan bears interest at floating interest rate of 3 months HIBOR plus 0.53% and is repayable in full on 24th May 2011. The average effective interest rate of the five-year term loan is 5.20% per annum.

(16) TRADE AND OTHER PAYABLES

	HK\$'000 (unaudited)
Trade payables	2,136
Rental received in advance	6,378
Other payables	30,561
Accrued stamp duty	850,125
Amounts due to related companies	2,420
	891,620

Stamp duty has been accrued based on the current stamp duty rate of 3.75% and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties.

The aged analysis of trade payables is as follows:

	HK\$'000 (unaudited)
0 – 3 months	2,136

The amounts due to related companies are unsecured, interest-free and repayable on demand.

The Manager considers that the carrying amount of trade and other payables approximates its fair values.

(17) ISSUED EQUITY

	Number of units	HK\$'000 (unaudited)
Creation and issue of units on 24th May 2006 at HK\$5.10 per unit	2,742,710,561	13,987,824

Upon listing on 24th May 2006, Champion REIT issued 2,742,710,561 units to unitholders to finance the acquisition of Property Interests.

(18) NET ASSET VALUE PER UNIT

The net asset value per unit is calculated by dividing the net asset value as at 30th June 2006 of HK\$16,365,139,000 by the number of units in issue of 2,742,710,561 as at 30th June 2006.

(19) NET CURRENT LIABILITIES

At the balance sheet date, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$817,176,000.

(20) TOTAL ASSETS LESS CURRENT LIABILITIES

At the balance sheet date, the Group's total assets less current liabilities amounted to HK\$23,336,353,000.

(21) ACQUISITION OF PROPERTY INTERESTS

On 26th April 2006, the Trustee, on behalf of Champion REIT, entered into certain reorganisation agreements with the property holding companies of Great Eagle Holdings Limited ("Great Eagle"), in connection with the acquisition of the property interests in Citibank Plaza and its related assets and liabilities ("Property Interests") from Great Eagle and other minority shareholders of these property holding companies (collectively "Vendor Companies"). Details of the principal steps and processes of the above reorganisation are set out in the offering circular of Champion REIT dated 11th May 2006.

The above reorganisation was completed on 24th May 2006 and the transactions involved in the above reorganisation were accounted for as acquisition of assets and the related liabilities. Accordingly, the Group accounted for the net rental income of the Property Interests from 24th May 2006 to 30th June 2006 in these condensed financial statements. The acquired Property Interests contributed rental income of HK\$43,298,000 and net profit of HK\$4,896,000 to the Group for the period from the Listing Date to 30th June 2006.

The consideration and the fair value of the Property Interests acquired amounting to HK\$19,300,135,000 and HK\$21,826,278,000 respectively, resulted in an excess of fair value of Property Interests acquired over the acquisition cost. The difference of HK\$2,526,143,000 between the fair value of Property Interests acquired from the Vendor Companies over the acquisition cost has been directly credited under retained earnings/reserves.

The net cash outflow arising from the Property Interests acquired is as follows:

	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Investment properties		22,670,000
Trade and other receivables		19,114
Bank balances and cash		256,627
Trade and other payables		(17,544)
Deposits received		(75,320)
Tax liabilities		(176,474)
Accrued stamp duty		(850,125)
Net assets acquired		21,826,278
Total consideration satisfied by:		
– Cash paid	11,606,832	
– Fair value of Units issued	7,693,303	19,300,135
Excess of fair value of Property Interests acquired over acquisition cost		2,526,143
Net cash outflow arising on acquisition:		
Cash consideration paid		(11,606,832)
Bank balances and cash acquired		256,627
		(11,350,205)

Performance table

As at 30th June 2006

Net asset value (HK\$'000)	16,365,139
Net asset value per unit (HK\$)	5.97
The highest traded price during the period (HK\$)	4.375
The highest premium of the traded price to net asset value (note (i))	N/A
The lowest traded price during the period (HK\$)	3.775
The highest discount of the traded price to net asset value	36.77%
The net yield per unit (note (ii))	N/A

Notes:

- (i) The highest traded price during the period was HK\$4.375 which is lower than the net asset value as at 30th June 2006 (subscription price of the Units was HK\$5.10 as at 24th May 2006), accordingly, no premium of the traded price to net asset value is presented.
- (ii) As disclosed in Champion REIT's offering circular dated 11th May 2006, Champion REIT's first distribution after Listing Date will be for the period from the Listing Date to 31st December 2006. Accordingly, income available for distribution for the period together with the income available for distribution for the second half of 2006 will be paid to the registered unitholders of Champion REIT as of the record date for the final distributions for the period ending 31st December 2006.

By Order of the Board

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

Lo Ka Shui

Chairman

Hong Kong, 11th August 2006



Champion REIT
冠君產業信託

Champion Real Estate Investment Trust

3008 Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong

Tel (852) 2879 1288

Fax (852) 2827 1338

香港灣仔港灣道23號廣君中心3008室

電話 (852) 2879 1288

傳真 (852) 2827 1338

www.championreit.com