

E X C E E D I N G

X

P R O M I S I N G

E

C

T

A

T

I

O

N

S

R

O

S

P

E

C

T

S

chairman's message

2006 was a year
of exceeding
expectations

2007 is a year of
promising prospects



Dr. LO Ka Shui

On behalf of the Board, I am pleased to present Champion REIT's first annual report for the financial period ended 31 December 2006.

Champion was successfully listed on 24 May 2006. It remains the only commercial real estate investment trust listed in Hong Kong that offers pure exposure to the Hong Kong Central Grade-A office market. It is also the second largest REIT in Hong Kong, having a market capitalisation as at 31 December 2006 of HK\$10.3 billion.

The Trust has made considerable progress since its formation in living up to its stated goals. It has exceeded the results forecast in its initial public offering circular dated 11 May 2006. Champion REIT recorded a total distributable income of HK\$257.0 million, 23% higher as compared to HK\$209.1 million in the forecasts. Distribution per unit for the Relevant Period of HK\$0.2000 is 18% higher than the guaranteed minimum of HK\$0.1694. Based on the closing unit price of HK\$3.76 as at 29 December 2006, the distribution per unit represents an annualized distribution yield of 8.75%. This compares with the Hong Kong Exchange Fund 5-year note yield of 3.72% as at 31 December 2006. It remains Champion's policy to payout 100% of income for distribution to unitholders.

During the first 7 months of the Trust's existence, the management team has worked prudently to strengthen and broaden the portfolio. In spite of a highly competitive market place, the Trust was able to acquire 3 floors in

Citibank Plaza that it did not already own, bringing its ownership of the buildings' total floor area from 91.5% to 95.7%. The acquisition was funded partly by issuance of new units and partly with a HK\$765 million convertible bond issue. Whilst this transaction was small in relation to the Trust's overall size, it represents a first step forward in Champion's strategy to grow its asset base with yield-accretive acquisitions.

It has been a good start for Champion. Looking back, a strong Central commercial property market has obviously driven the favourable results. The strength of our asset and the sound market knowledge of our management team have also contributed to the performance.

Looking forward, we anticipate continued favourable conditions in our market segment. 2006 was a year of exceeding expectations. 2007 is a year of promising prospects with a sizeable portion of the leases in Citibank Plaza due for a rental reversion at a time when vacancies are expected to remain very low. We intend to build on our position through proactive asset management and through maintaining a disciplined investment approach to acquisition possibilities. We are confident that Champion REIT has the right resources and strategies to generate stable and sustainable distributions for our unitholders in the coming years.

LO Ka Shui
Chairman

Distribution per unit of HK\$0.2000 is 18% higher than the guaranteed minimum of HK\$0.1694