ceo's message

Mr. Jeremy Bellinger STEWARDSON

REVENUE AND EXPENSES

Total revenue was 9.8% more than forecast figures at the outset of the Relevant Period. Unitholders have benefited from the continued strength in Central Business District commercial property market conditions as foreshadowed by the management team in May 2006. The Relevant Period witnessed the successful leasing of around 137,000 sq.ft., lifting occupancy within the development from 86.6% as at February 2006 to 96.2% at year end.

Operating expenses were 5.8% less than forecast. These were largely attributable to reduced agency commissions, occasioned by increased lettings to existing tenants and reduced responsibility for Government Rates on vacant premises, reflecting the faster than forecast leasing up rate. During the course of the year, the REIT Manager will continue to review the operations of management service providers to ensure that any available cost efficiencies are captured. Some of the initiatives that are underway include a review of staff deployment as well as the review of operating processes in our aim for consistency in services.

TENANTS

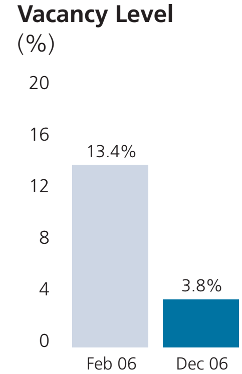
A healthy number of the smaller new lease commitments to Citibank Plaza were new arrivals to Hong Kong. It is significant to note that much of the positive take-up was recorded by existing major tenants growing their businesses, thereby cementing their position within the development. One such expansion also involved the extension of lease term. This now means that the top 3 tenants, comprising 49% of the development by gross rentable area or over 590,000 sq.ft., are all under leases expiring in the next decade.

As per declared strategy, the vast majority of new and renewed lease commitment comes from high covenant multi-national corporations in the financial services industry together with their service providers. Our core strength lies in the size and strength of tenants covenant and such improvements in profile are particularly rewarding.

Further tenant relationship management programmes are to be initiated in 2007, where the REIT Manager will be reviewing facilities and amenities offered to, and utilized by occupiers, in order to pre-empt tenant preferences and requirements and provide cost effective delivery of services.

In line with low levels of competing supply and high demand, spot rental levels rose...... to approximately HK$80 per sq.ft. at the end of 2006, an increase of 60% from the beginning of 2006

Vacancy Level



ceo's message

With favourable market conditions, the Trust will be focusing on maximising rental returns. Over 50% of Citibank Plaza by leased floor area as of 31 December 2006 is likely to see rental rates marked to market in 2007...

RENTS

Citibank Plaza operates on a three year lease review or expiry cycle – during the Relevant Period some 3.1% of Citibank Plaza by floor area was marked to market through rent reviews, on top of occupancy level increases. Strong Central District market conditions facilitated substantial increases in rental level achievements.

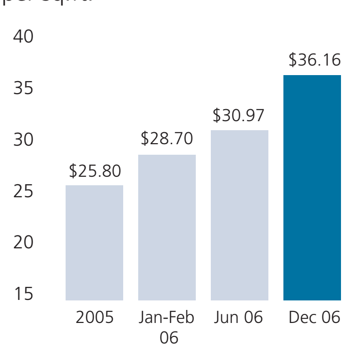
The average passing rent level for office in the development was HK$28.70 per sq.ft. in the first two months of 2006 and by December 2006 this had risen to HK$36.16 – that in turn compared with a level of HK$25.80 average for 2005. In line with low levels of competing supply and high demand, spot rental levels rose from roughly HK$50 per sq.ft. at the start of 2006 to approximately HK$80 per sq.ft. at the end of 2006, an increase of 60% from the beginning of 2006 that compares favourably with the property consultants consensus for rental growth across the Central District.

ACQUISITIONS

During the Trust's first 7 month's existence, the management team has worked hard to strengthen and broaden the portfolio in line with Champion REIT's stated growth strategy. In spite of a highly competitive market place, the Trust was able to sign a sale and purchase agreement for 3 floors in Citibank Plaza that it did not already own (the transaction was completed on 5 January 2007). Champion REIT issued bonds in December 2006 to raise capital for the acquisition, the first REIT to do so in the Far East outside of Japan. Whilst this transaction was small in relation to the Trust's overall ambitions, it represents a first step forward in Champion REIT's strategy to grow its asset base with yield accretive acquisitions.

As at the end of the Reporting Period, Champion REIT's property portfolio has undergone a revaluation on a market value basis and recorded a revaluation gain of HK$827 million as

Average Rental (Office)
HK$
per sq.ft.



RENT TREND

	Leases Expiring	Leases due for Rent Review	Combined
	Percent of Leased Area and...		
2007	19.7%	30.7%	50.4%
2008	17.0%	20.3%	37.3%
	... their Existing Rental Rates[1]		
2007	$35.01	$21.75	$26.93
2008	$50.93	$43.44	$46.85

Note
1 Based on monthly rental

compared with the portfolio valuation used on Listing Date. Savills Valuation and Professional Services Limited, an independent firm using primarily the income capitalisation approach, supported by the direct comparison method has arrived at a market valuation of the property portfolio of HK$23,500 million. Champion REIT's property assets have since grown in value to HK$24,607 million after accounting for the acquisition mentioned in the preceeding paragraph, an increase of HK$1,937 million.

External growth will continue to be one of the Trusts' goals. The investment team will continue to identify, source and analyse appropriate opportunities for acquisition, as well as the availability of suitable funding arrangements. Having successfully concluded an initial transaction, together with putting successful funding arrangements in place, Champion REIT will be striving to undertake further suitable acquisitions during the course of the year. With the current gearing level just around 30% after the recent issue of convertible debt securities, a significant margin below the statutory limit of 45%, Champion REIT retains greater flexibility to make acquisitions using debt as a primary source of capital.

PROSPECTS

Looking to the future, 2007 will be an important year – prospects for Central's commercial property market are strong, with property consultant's consensus calling for a continued increase in average rental achievements. There are no serious prospects of any loosening in supply conditions. Furthermore, employment and business tendency surveys continue to project above average employment growth in the financial services sector in Hong Kong. With favourable market conditions, the Trust will be focusing on maximising rental returns. Over 50% of Citibank Plaza by leased floor area as of 31 December 2006 is likely to see rental rates marked to market in 2007, 30.7% from scheduled rental reviews and 19.7% from lease renewal opportunities.

Jeremy Bellinger STEWARDSON
Executive Director and
Chief Executive Officer